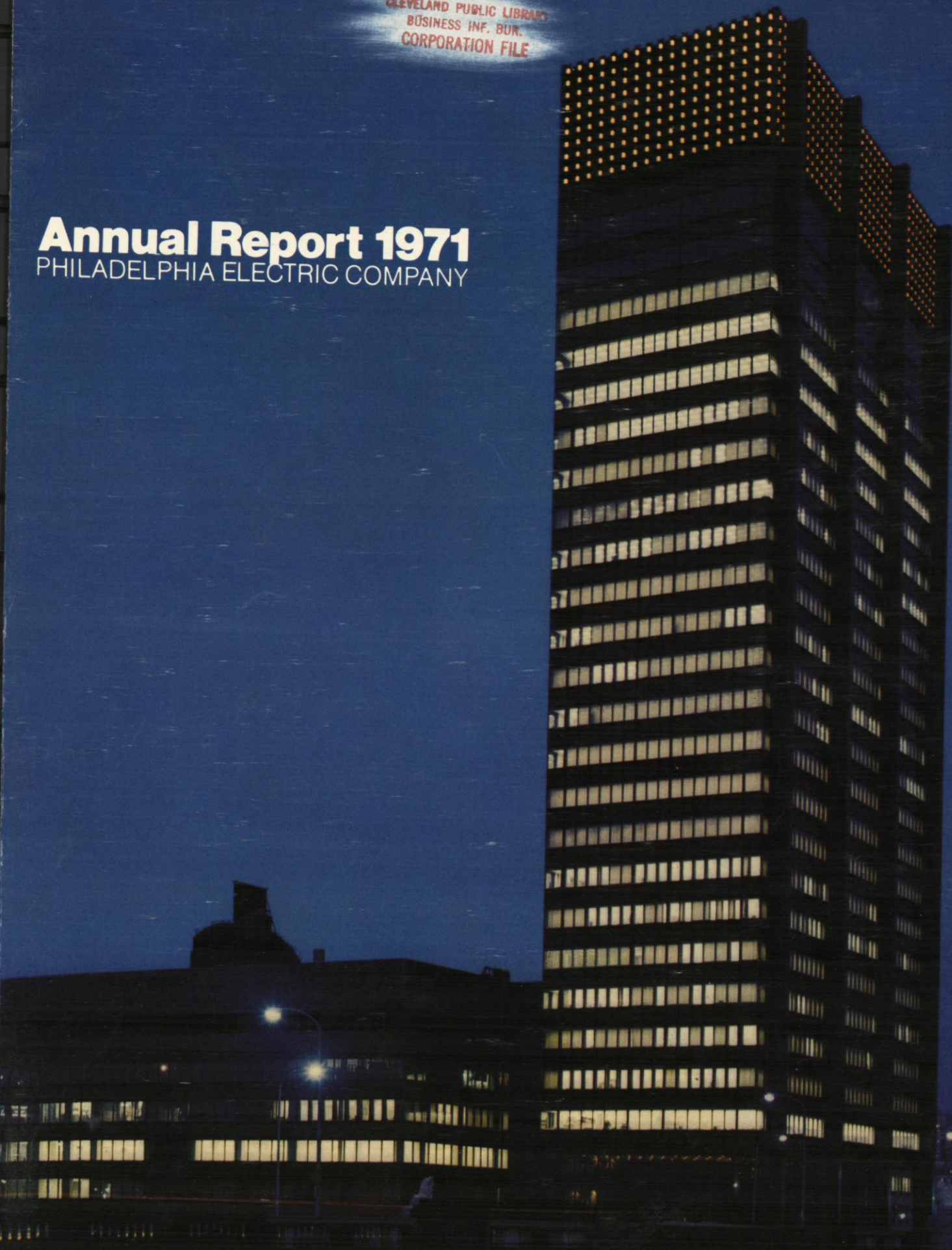
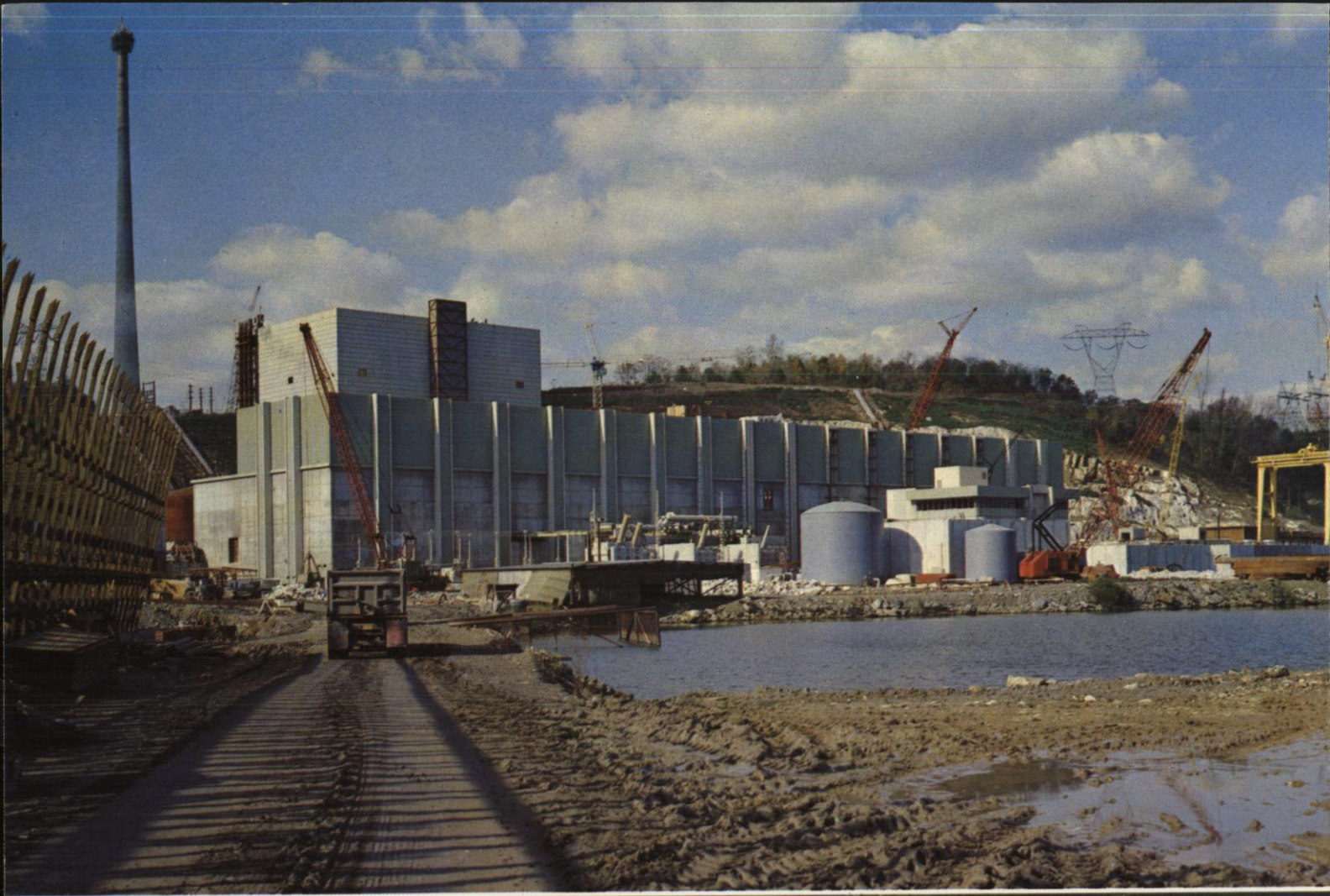


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Annual Report 1971

PHILADELPHIA ELECTRIC COMPANY





ANNUAL REPORT 1971

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Annual Meeting

The annual meeting of the shareholders of the Company will be held on April 12 at eleven a.m. at the office of the Company, Edison Building, Ninth and Sansom Streets, Philadelphia. Shareholders of record at the close of business March 3 are entitled to vote at this meeting. Notice of the meeting, proxy statement, and proxy will be mailed under separate cover. Prompt return of the proxies will be appreciated.

Construction of nuclear units No. 2 and No. 3 moves ahead at Peach Bottom atomic power station. First unit is scheduled for operation in 1973.

Muddy Run hydroelectric plant is the largest pumped-storage development in the nation. The new riverfront fishermen's park in the foreground is the latest addition to Philadelphia Electric's public recreation facilities on the lower Susquehanna River.

ON THE COVER. Philadelphia Electric's new headquarters building adds a shining landmark to Philadelphia's night skyline. "Heat-by-light," a new concept in modern office heating, is a feature of the building's design.

BOARD OF DIRECTORS

- *Gustave G. Amsterdam
*Chairman of the Board,
Bankers Securities Corporation*
- *George H. Brown, Jr.
Director, Girard Trust Bank
- *James L. Everett
President of the Company
- *Robert F. Gilkeson
*Chairman of the Board
and Chief Executive Officer
of the Company*
- William W. Hagerty
President, Drexel University
- *William G. Hamilton, Jr.
*Chairman,
American Meter Division
of Singer Company*
- Robert D. Harrison
*President,
John Wanamaker, Philadelphia*
- Paul R. Kaiser
*President,
Tasty Baking Company*
- Vincent P. McDevitt
*Former Senior Vice President
of the Company*
- John R. Park
President, Acme Markets, Inc.
- *Roy G. Rincliffe
*Chairman of the Executive
Committee of the Company*

*Member of Executive Committee.

OFFICERS

- Robert F. Gilkeson
Chairman of the Board
- James L. Everett
President
- Allan G. Mitchell
Senior Vice President
- William H. Jones
Senior Vice President
- J. Henry Long
Senior Vice President
- Robert P. Liversidge
*Vice President,
Electric Operations*
- Charles W. Watson
*Vice President,
General Administration*
- Henry T. Bryans
*Vice President,
Personnel and Public Relations*
- Vincent S. Boyer
*Vice President,
Engineering and Research*
- Edward G. Bauer, Jr.
*Vice President and
General Counsel*
- John H. Austin, Jr.
*Vice President,
Finance and Accounting*
- Martin F. Gavet
Vice President, Gas Operations
- Clair V. Myers
*Vice President,
Purchasing and
Service Operations*
- William B. Morlok
Vice President, Sales
- Vincent J. Walsh
Secretary
- George W. Miller
Treasurer
- James D. Lynch
Assistant Secretary
- David W. Evans, Jr.
Assistant Treasurer
- Alfred M. Newill
Assistant Treasurer
- Morton W. Rimerman
Assistant Treasurer

GENERAL OFFICE: 2301 MARKET STREET
PHILADELPHIA, PA. 19101
FISCAL AGENTS ARE SHOWN ON PAGE 30



James L. Everett, president, and Robert F. Gilkeson, chairman of the board, at window of new Company headquarters overlooking the Schuylkill River and expressway.

TO OUR SHAREHOLDERS:

Common stock earnings increased to \$78 million in 1971 from \$60 million in 1970. Earnings per share rose to \$2.10, an increase of 26 cents, or 14 percent, over 1970 when 15 percent fewer shares were outstanding. Despite this encouraging improvement which includes the effects of rate increases, earnings per share were still below the \$2.13 earned in 1967.

Operating costs continued upward in 1971—fuel prices increased 46 percent; materials, equipment, and labor costs rose; state taxes were increased again in 1971; and financing costs were higher. Some of these

costs were recovered by electric and steam rate increases and by fuel and tax surcharges.

Your Company is dedicated to serving the energy needs of our customers in the most beneficial way for our community. We are building for the future to assure that our customers continue to have the high quality and increasing quantities of service they expect. During the next five years, expansion and improvements will require about \$2.5 billion, compared with \$1.3 billion invested over the past five years.

In recent years, great concern has been expressed by both the government and the public regarding pollution of the environment. Because of our long-standing commitment that our operations have a minimum impact on the environment, our efforts to develop new pollution control facilities are expanding. Nuclear energy continues to be our greatest hope of providing abundant quantities of low-cost, reliable, pollution-free energy in a high population density area.

In 1971, we have been able to stop the recent declines in earnings per share and interest coverage, and to record modest gains. Your management's goal is to continue our resumed growth in earnings per share.

MARCH 6, 1972

RF Gilkeson
CHAIRMAN OF THE BOARD

J. L. Everett
PRESIDENT

FINANCIAL HIGHLIGHTS

Common stock earnings made a substantial recovery to \$2.10 per share in 1971 from \$1.84 in 1970, despite 15 percent more shares outstanding.

Dividends on common stock continued at \$1.64 per share, 74 percent of which was not taxable as income for federal income tax purposes.

Operating revenue rose \$104 million over 1970 to a record high of \$608 million.

Rate increases granted in 1971 contributed \$36 million to revenues.

Costs continued to rise primarily because of higher fuel prices, higher labor and material costs, higher state taxes, and higher costs of raising money.

Construction remained at record levels with expenditures of \$352 million for necessary plant additions and improvements.

Construction financing was provided principally by the sale of \$160 million of bonds, \$70 million of preferred stock, and \$103 million of common stock. Part of these funds were used to refinance \$20 million of maturing bonds. The balance came from internally generated funds.



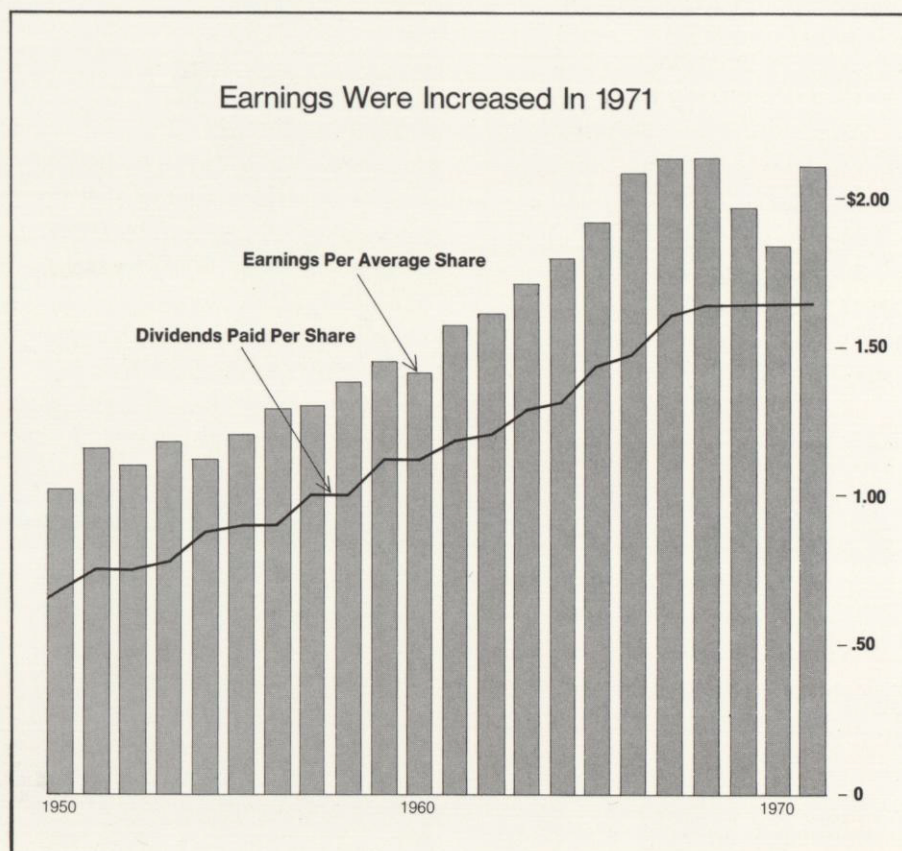
Centralized operations promote economy and better service at new P.E. transportation center and stores headquarters near Berwyn.



Financial Facts in Brief

	1971	1970	Percent Increase
Operating Revenue	\$608,134,427	\$504,371,496	20.6
Operating Expenses including Fuel, Maintenance, Depreciation, and Taxes	<u>480,571,605</u>	<u>396,726,731</u>	<u>21.1</u>
Operating Income	127,562,822	107,644,765	18.5
Other Income including Allowance for Funds Used during Construction	<u>33,206,832</u>	<u>18,737,722</u>	<u>77.2</u>
Income Before Interest Charges ...	160,769,654	126,382,487	27.2
Interest Charges	<u>67,145,293</u>	<u>58,006,678</u>	<u>15.8</u>
Net Income	93,624,361	68,375,809	36.9
Dividends on Preferred Stock	<u>15,320,054</u>	<u>8,611,698</u>	<u>77.9</u>
Earnings Applicable to Common Stock	78,304,307	59,764,111	31.0
Dividends on Common Stock	<u>60,689,456</u>	<u>53,682,921</u>	<u>13.1</u>
Retained Earnings	<u>\$ 17,614,851</u>	<u>\$ 6,081,190</u>	<u>—</u>
Shares of Common Stock—Average	37,322,917	32,556,315	14.6
Earnings Per Average Share	\$2.10	\$1.84	14.1
Dividends Paid Per Share	\$1.64	\$1.64	—

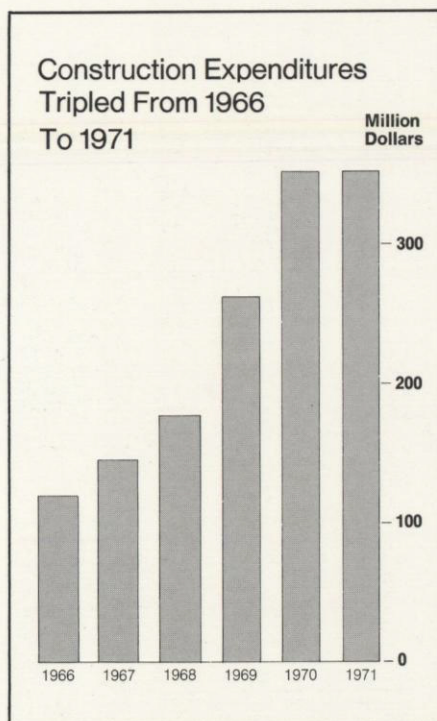
Earnings Were Increased In 1971



RATE INCREASES APPROVED

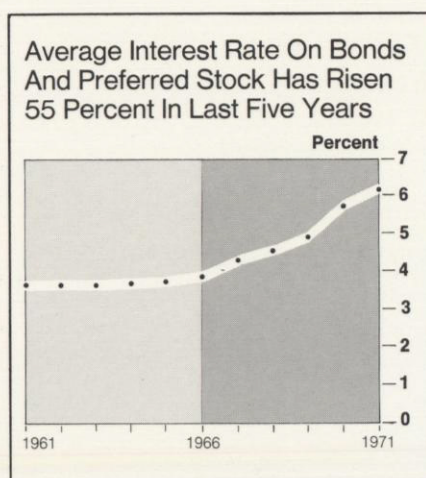
In November 1971, the Pennsylvania Public Utility Commission approved \$72.6 million of the \$96.4-million electric rate increase we requested in November 1970. The Commission allowed approximately \$42 million of the increase to become effective on an interim basis on February 18, 1971. The balance of \$30.6 million became effective November 17 at the end of the federal wage and price freeze. In January 1971, the Commission also permitted us to increase rates for steam service by \$1.1 million annually.

We requested this much needed rate increase, and other price adjustments permitted by the Commission in 1970, because of the sharp increases in operating costs which have occurred

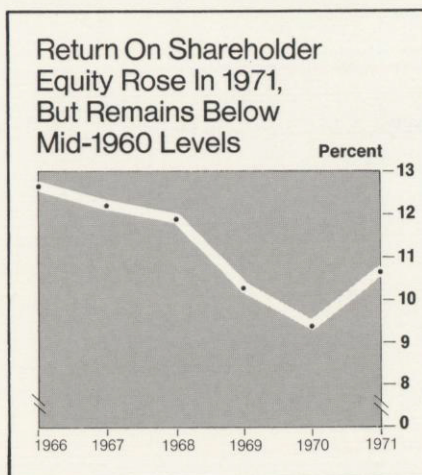


during the past few years. Electric fuel prices have risen 100 percent in just two years, largely due to the use of premium-priced low-sulfur oil to

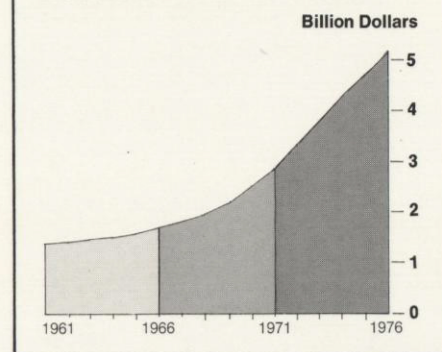
conform to air pollution control standards. Taxes, other than income taxes, have increased 2½ times since 1969. Construction expenditures have climbed to record levels, resulting in a 72-percent, or \$1.2-billion, increase in utility plant in the past five years. An additional increase of \$2.3 billion is expected in the next five years. With the higher interest rates which have prevailed, the average interest rate on our outstanding bonds and preferred stock has risen from 3.85 percent in 1966 to 6.03 percent in 1971.



Because of these cost pressures, the return earned on our shareholders' equity dropped to less than 10 percent in 1970, rising somewhat in 1971 as a result of rate increases. We are hopeful the Administration's efforts to reduce the pace



Utility Investment Will Almost Double In Next Five Years



of inflation will be successful so that, in the future, reasonable cost increases can be met through operating economies and more modest rate increases.

FINANCIAL REVIEW

Operating revenue in 1971 was \$608 million, an increase of \$104 million, or 21 percent, over 1970. Approximately \$88 million of this increase was the result of rate adjustments granted in 1970 and 1971. The remainder came from increased sales.

Electric	\$507 million	up 23%
Gas	87 million	up 8%
Steam	14 million	up 30%
	<u>\$608 million</u>	<u>up 21%</u>

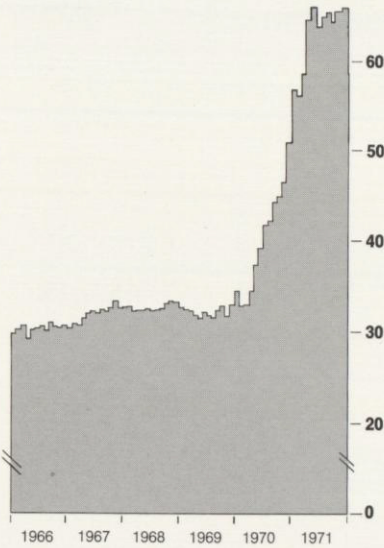
Energy sales were higher, but below previous trends, as depressed economic conditions prevailed throughout the year. Limited natural gas supplies restricted gas sales and will hold back gas sales growth in 1972.

Electric	23 billion kilowatt-hours	up 2.8%
Gas	68 billion cubic feet	up 0.7%
Steam	8.2 billion pounds	up 0.6%

Operating expenses rose 21 percent in 1971, compared with a 17-percent increase in 1970. Fuel costs, which account for more than half of operation and

Electric Fuel Prices Continued To Rise In 1971

Cents Per Million BTU's



income taxes rose 26 percent as a result of higher taxable income. Taxes, other than income taxes, were 23 percent above 1970.

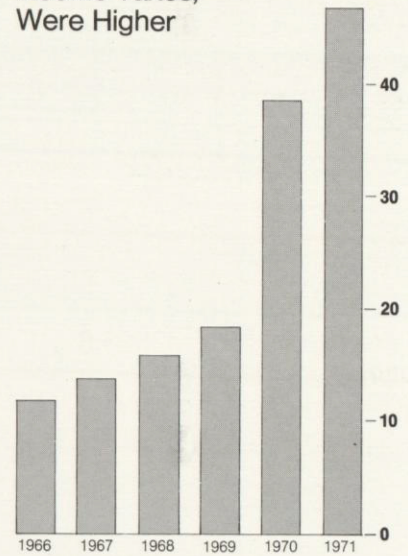
Interest charges and preferred dividends increased 24 percent because of our continued heavy financing for new plant construction. These higher charges were offset by a \$13-million increase in the allowance for funds used during construction.

Earnings for common stock of \$78 million were \$18 million higher than in 1970. Although 5 million additional average shares were outstanding in 1971, earnings rose to \$2.10 per share from \$1.84 in 1970, but were still below the level of \$2.13 earned in 1967.

Dividends to common shareholders were maintained at the annual rate of \$1.64 a share, representing a payout of 78

Taxes, Other Than Income Taxes, Were Higher

Million Dollars



maintenance expenses, were 46 percent higher than in 1970, as shown in the chart above. This upward trend is expected to continue, since air quality regulations will require, by October 1972, the use of more costly oil having a sulfur content of less than 0.5 percent, compared with the current requirement of less than 1 percent.

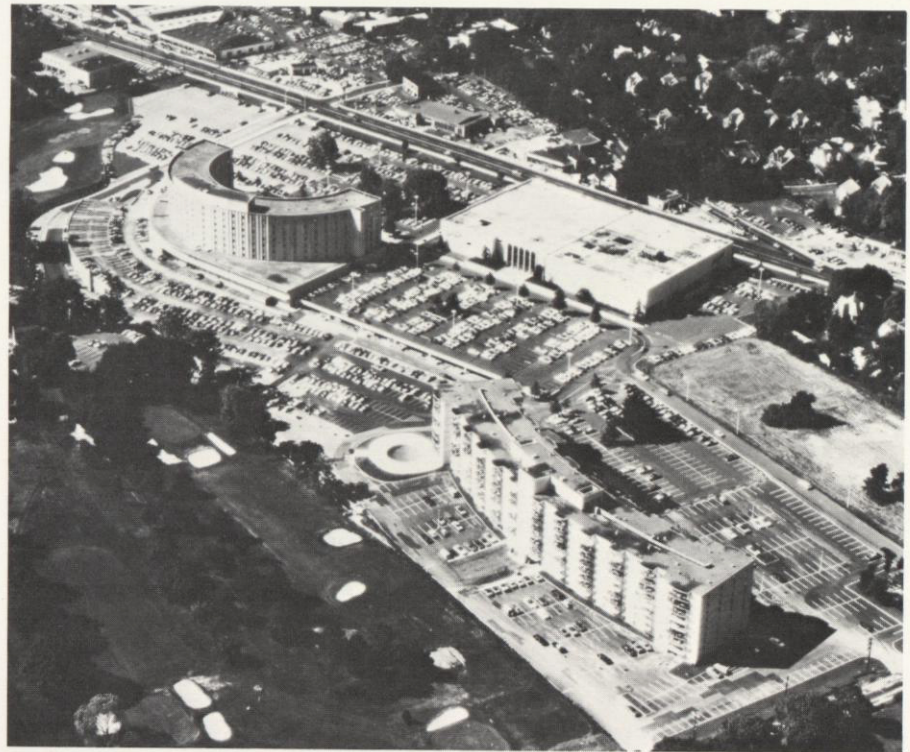
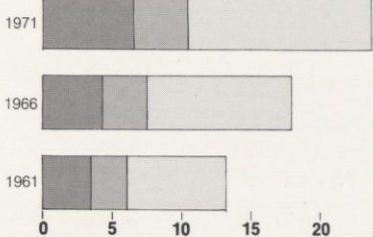
Taxes increased by \$21 million, 35 percent higher than the previous year. State and federal

percent of earnings. A portion of the dividends paid, 74 percent, constituted a return of capital to shareholders for federal income tax purposes and, consequently, was not taxable as ordinary income.

Electric Energy Usage Has Increased 83 Percent Over Ten-Year Period

Industrial
Commercial And Others
Residential

Billion Kilowatt-Hours



Foxcroft Square, new commercial development in Jenkintown, includes a nine-story pavilion (upper left) for offices and stores. Lighting fixtures, providing "heat-by-light," are similar to those used in Philadelphia Electric's new headquarters building. Adjacent to the office pavilion is a two-story department store and a 224-unit apartment building (lower right) which uses gas and electricity for space heating.



Neshaminy Mall shopping center in rapidly growing Lower Bucks County.

4000 new homes and apartments. Acceptance of electric heat in commercial and industrial markets continues to grow, with more than 2000 business establishments now being heated electrically.

Highlighting the sale of electric heat was the penetration of the college market. Bryn Mawr College began a renovation program which includes the elimination of coal-fired boilers and the installation of approximately 12,000 kilowatts of electric space heating equipment in all of the College's 26 existing buildings. Drexel University's Newman Center in West Philadelphia will be all-electric, and electric heating will be used in new dormitories at Haverford College and St. Charles Borromeo Seminary in Overbrook.

Off-peak night lighting has been promoted with emphasis on

SELECTIVE MARKETING

Our marketing programs in 1971 continued to concentrate on off-peak electric, gas, and steam applications to improve seasonal balance in energy demands and to promote greater use of our facilities during off-peak periods. Development of this off-peak business increases earnings through more efficient use of our plant facilities, which also helps to stabilize customer energy costs. In pursuing these objectives, maintenance of high standards of service and close rapport with customers remain our fundamental goals.

Electric Sales

Electric space heating received major emphasis in marketing off-peak energy. More than 5500 electrically heated dwelling units were added to our lines in 1971, bringing the total number on our system to 24,600. Commitments were obtained for installations of electric heat in an additional



Recently completed North Penn High School in Montgomery County.



Industrial park adjoining North Philadelphia Airport provides new jobs in Philadelphia.

electrically heated units added during the year, these installations brought to 13,700 the number of new dwelling units heated with Philadelphia Electric clean energy—70 percent of the total units built in our service area during 1971.

Steam air conditioning installations raised the off-peak summer demand for steam and helped to relieve the growing air conditioning demand on our electric system. The largest steam installation, amounting to 2500 tons, is being installed in the Philadelphia Museum of Art. Numerous other installations in schools, banks, hospitals, and small businesses will bring the total steam air conditioning load on our system to 21,000 tons.

AREA DEVELOPMENT

Philadelphia Electric's 2475-square-mile territory is the hub

safety, security, and beautification. Protective outdoor lighting programs have accounted for the installation of more than 5000 Company-owned and maintained outdoor lighting units by residential, commercial and industrial customers, and public agencies.

Gas and Steam Sales

The demand for "clean" natural gas is accelerating as environmental concerns continue to mount. To assure an adequate supply of gas to existing customers, starting in March 1971, gas sales for new and additional loads were restricted to dwelling units and small nonresidential users. After February 15, 1972, no applications for any new or additional gas loads were accepted.

Gas space heating equipment was installed in 8200 new residential living units during 1971. Together with the previously mentioned 5500



Georgetown apartment and town house community in Penllyn, Montgomery County, is one of many residential developments using P.E. total-energy service.



New regional office headquarters under construction by The Prudential Insurance Company of America near Willow Grove. This all-electric complex will have two 6000-kilowatt, 13,000-volt electric boilers, the largest installation of its kind.

of the northeast megalopolis served by several railroad systems and a major new north-south limited access highway, Interstate 95. Much business growth in our territory will develop along this highway, as evidenced by the industrial and commercial centers which are springing up at each major interchange.

A total of more than 30,000 acres of suitably zoned land is now available to business and industry throughout our territory. Included are 79 industrial parks and office centers, of which 16 were opened in the past year.

Our area development efforts embrace all markets—residential, commercial, and industrial. Our commitment is not just to the ever expanding suburbs, but to urban core areas as well. Despite a business slowdown during 1971, our area development department worked with 44 companies establishing new industrial or commercial facilities in our territory, and with 68 existing companies which expanded or relocated here.

ELECTRIC OPERATIONS

A record hourly peak demand of 4,922,000 kilowatts on July 1 exceeded the previous year's high by 4.5 percent and occurred at the same time a new peak demand of 25,529,000 kilowatts was recorded on the Pennsylvania-New Jersey-Maryland (PJM) Interconnection, of which Philadelphia Electric is a member. Our total electric sales in 1971 were 23 billion kilowatt-hours, an increase of 2.8 percent over 1970.

Generating Capacity Increased

Total system generating capacity at the end of 1971 amounted to 6,365,600 kilowatts, reflecting a net increase during the year of 802,000 kilowatts. Seventeen new combustion turbines with a capacity of 643,000 kilowatts were placed in service in 1971, bringing the number of combustion turbines installed on our system to 44 units with a total capacity of 1,256,000 kilowatts.

The second unit of the jointly owned Conemaugh generating station in western Pennsylvania was placed in operation in May, adding 176,000 kilowatts to our

Electric Generating Capacity

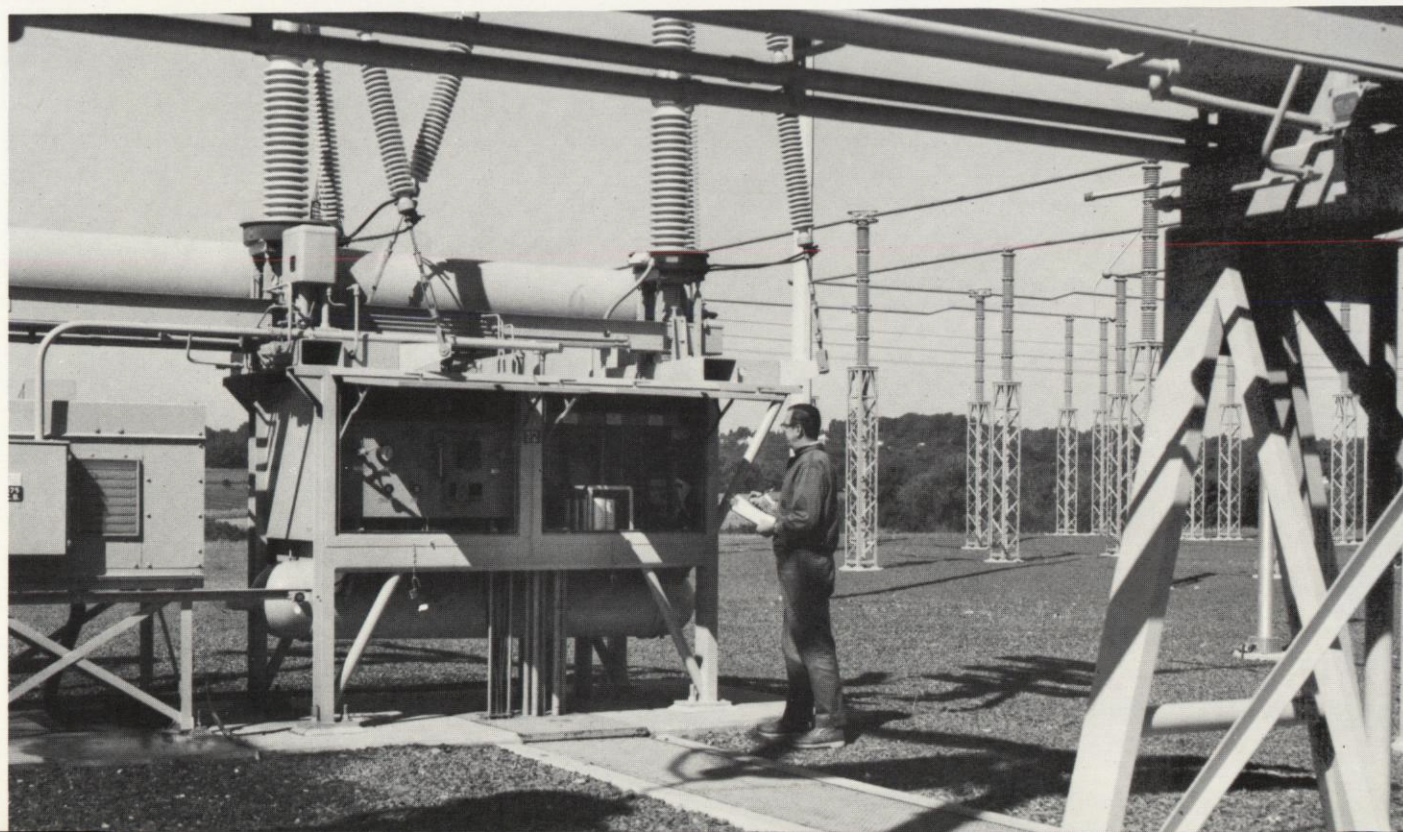
As of December 31, 1971

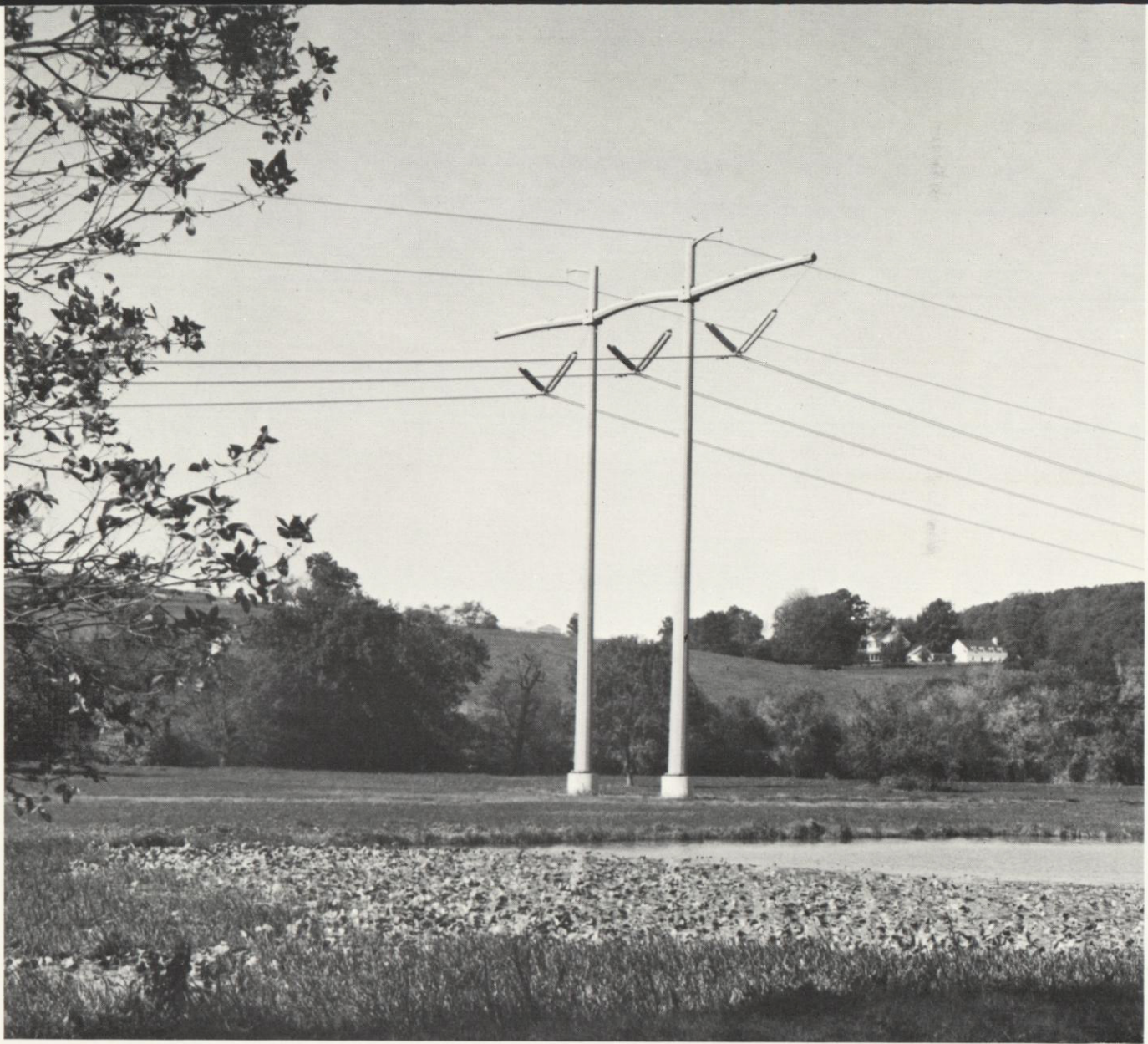
Generating Stations	Net Installed Capacity (Kilowatts)
P. E. Owned	
Barbadoes	229,700
Chester	336,200
Conowingo (Hydro) ..	512,000
Cromby	368,700
Delaware	445,000
Eddystone	765,400
Muddy Run (Pumped-Storage) .	880,000
Peach Bottom (Nuclear)	40,000
Richmond	1,018,700
Schuylkill	360,300
Southwark	461,800
Falls Substation	68,100
Moser Substation	68,100
Plymouth Meeting Substation	94,000
Jointly Owned (P. E. Portion)	
Conemaugh	354,300
Keystone	346,300
Salem	17,000
Total In Service ..	6,365,600

AUTHORIZED ADDITIONS

P. E. Owned	
Eddystone	800,000
Limerick (Nuclear) ..	2,110,000
Unassigned (Nuclear)	2,320,000
Jointly Owned (P. E. Portion)	
Peach Bottom (Nuclear)	905,000
Salem (Nuclear)	938,000
Total Authorized Additions	7,073,000

Whitpain substation uses newest 500,000-volt equipment.





Specially designed ornamental steel tower improves appearance of transmission line in the rural countryside of Brandywine Valley in Chester County.

system capacity. This final unit of our mine-mouth power generation program brought to 696,000 kilowatts our share of this type of capacity.

Preliminary site work was started late in the year on units No. 3 and No. 4 at our Eddystone generating station. These units, each rated at 400,000 kilowatts, will burn low-sulfur residual oil and are designed for peak load service. Initial operation of the first unit is scheduled for 1974, the second for 1975.

Four 10,000-kilowatt stoker-fired boilers at Richmond station were retired as part of our continuing effort to reduce air pollution.

Transmission capacity was increased by constructing new lines and rebuilding others to operate at higher voltages.

New Transmission System

Philadelphia Electric joined neighboring utilities in Delaware, Maryland, and New Jersey in constructing a new Lower Delaware Valley transmission system. This system will connect the large nuclear generating stations under construction at Peach Bottom, Pa., and Salem, N.J., with the extra-high-voltage transmission network of the companies in the PJM Interconnection. We completed our portion of this project in 1971.

AIR QUALITY CONTROL

As a major supplier of energy, we recognize our obligation to serve customers with minimum effect on the environment. Our expanding use of low-sulfur oil in place of coal continues to reduce emissions of particulates and sulfur dioxide.

Fuel oil with less than 1 percent sulfur content was the principal fuel used in all our generating stations in 1971, except Eddystone and Cromby unit No. 1. At these two stations, where coal is burned, prototype flue-gas cleaning installations are being constructed to reduce sulfur dioxide and particulate

emissions below proposed regulatory limits.

Crude Oil Used

During 1971, special storage tanks and oil burning facilities were installed at Richmond and Delaware generating stations to burn low-sulfur crude oil having a sulfur content of less than 0.5 percent. The major reason for these conversions is to enable us to take advantage of additional sources of fuel supply.

NUCLEAR POWER

The prototype helium-cooled No. 1 unit of our Peach Bottom atomic power station has established an outstanding record of safety and reliability since commercial operation began more than four years ago. The station produced approximately 400 million kilowatt-hours of electricity with its initial fuel loading and, by the end of 1971, had generated an additional 350 million kilowatt-hours since its second nuclear core was placed in operation in July 1970.

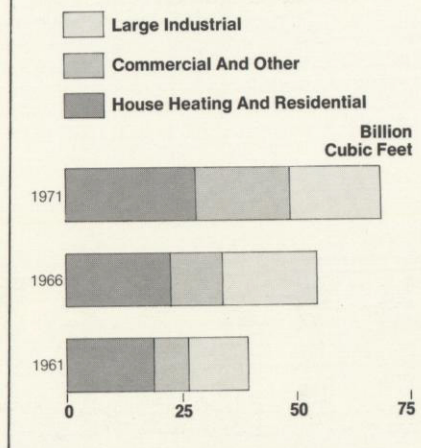
Peach Bottom Units 2 and 3

Work proceeded during 1971 on the two additional nuclear units under construction at Peach Bottom. By the end of the year, unit No. 2 was approximately 85 percent complete. Unit No. 3 was about one-half complete. Each unit will consist of a boiling water reactor and 1,065,000-kilowatt turbine-generator, the first scheduled for commercial operation in the first half of 1973, the second a year later.

Application for an operating license was made to the Atomic Energy Commission on August 31, 1970, with the expectation that the Commission would require about 18 months to process the request.

Operation of the two units will be the sole responsibility of Philadelphia Electric. Their ownership

Gas Energy Consumption Has Increased 86 Percent Over Ten-Year Period



and output will be shared with Public Service Electric and Gas Company of New Jersey, Atlantic City Electric Company, and Delmarva Power & Light Company. Our interest amounts to approximately 42 percent.

Salem Nuclear Station

We hold a similar ownership interest in another nuclear generating station being built by the same group of utilities on the Delaware River several miles below Philadelphia, near Salem, N.J. Construction has been under way since the Atomic Energy Commission issued construction permits in September 1968. The plant will have two pressurized water reactors, each supplying steam to a turbine-generator rated at approximately 1,100,000 kilowatts. Commercial operation of the first unit is scheduled for early 1974, the second in 1975. Public Service of New Jersey will operate the plant.

Limerick Nuclear Station

In October 1969, plans were announced for a new nuclear generating station to be built on our system on the Schuylkill River in Limerick Township, near Pottstown, Pa. Application for construction permits was made to the Atomic Energy Commission in February 1970. Prelim-

inary construction work has been suspended pending completion of hearings by the AEC.

The station will have two boiling water reactors, each with a capacity of 1,055,000 kilowatts. The reactors and associated turbine-generators are essentially duplicates of units No. 2 and No. 3 being installed at Peach Bottom. The first Limerick unit was originally scheduled for commercial operation early in 1975, the second in March 1977.

HTGR Nuclear Plant

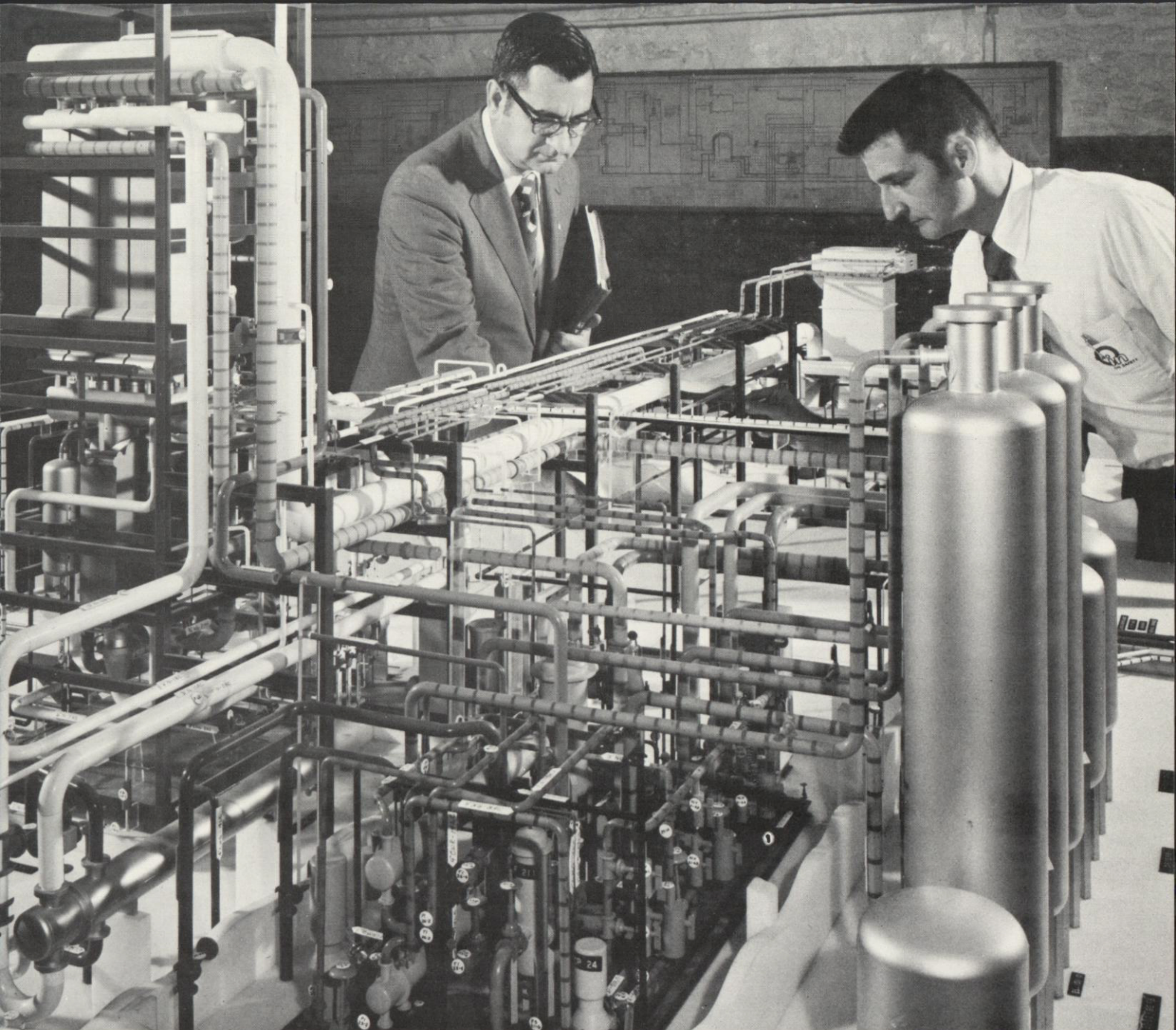
On August 30, 1971, we announced our intention to build a 2,320,000-kilowatt nuclear power station using two high temperature gas-cooled reactors (HTGR), the first scheduled for operation in 1979 and the second in 1981.

Among considerations favoring the selection of the HTGR system was the conspicuously successful operation of the 40,000-kilowatt HTGR prototype unit at Peach Bottom station. Because the station, to be constructed at a site yet to be determined, will have the highest efficiency of any large commercial nuclear plant in the world, it will release less heat to the environment.

Like other nuclear plants under construction or planned by Philadelphia Electric, the new station will emit no products of combustion.

GAS OPERATIONS

Gas sales rose to 68 billion cubic feet in 1971, an increase of only 0.7 percent over 1970. This small increase was the result of the curtailment of sales to new customers made necessary by the national shortage of new gas supplies. Also, as a result of this shortage, less gas



Use of scale model saved construction costs at new liquefied natural gas (LNG) plant in West Conshohocken.

was allocated to interruptible customers. A record daily sendout of 396 million cubic feet on January 27, 1971, was 5 percent above the previous high set in 1970.

New LNG Plant

Construction of the new liquefied natural gas plant at West Conshohocken is progressing satisfactorily with preliminary operation expected early in 1972. When completed later in the year, this modern plant will store up to 1.2 billion cubic feet

of natural gas and be capable of providing up to 200 million cubic feet of gas a day during periods of peak demand.

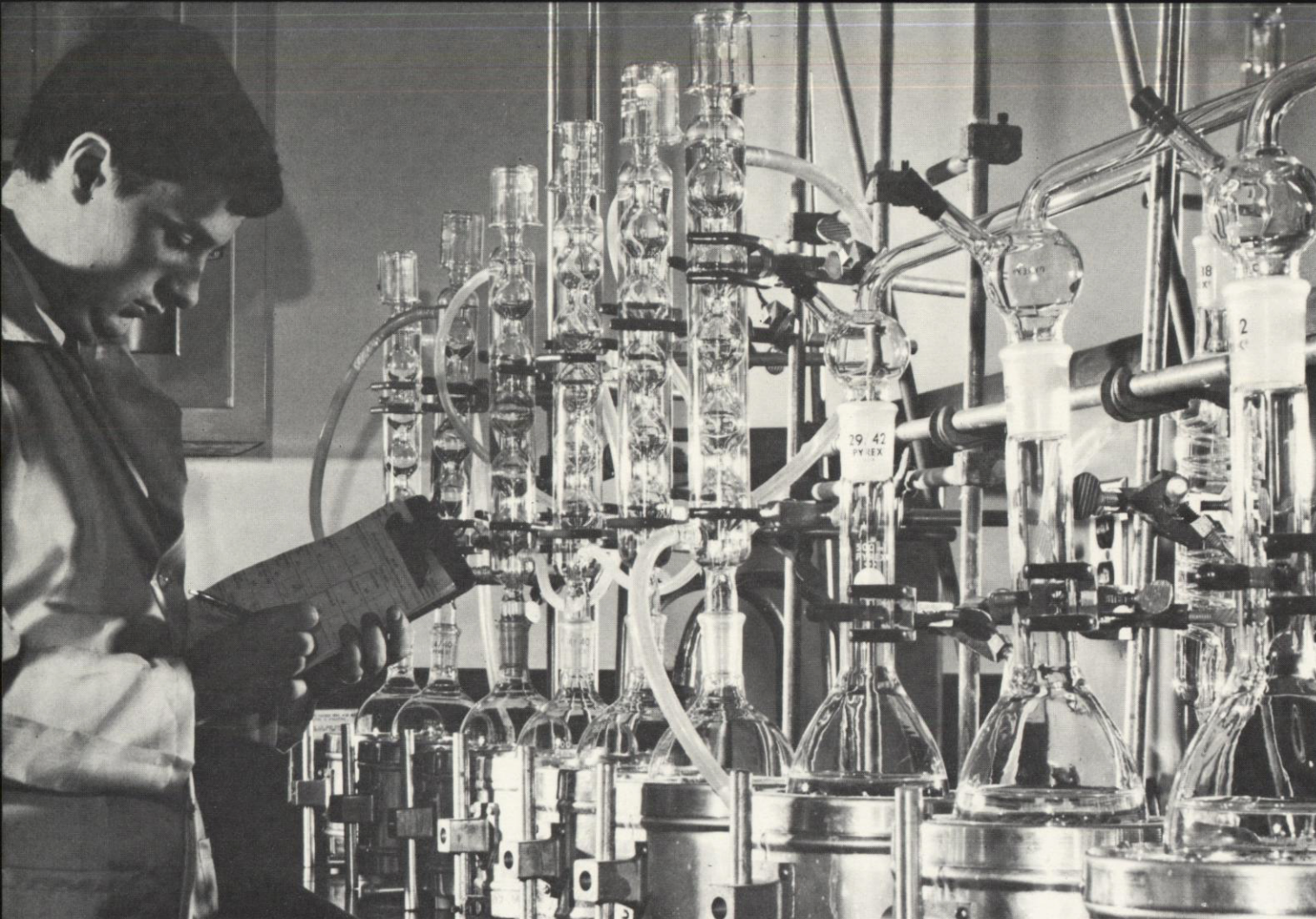
STEAM SERVICE

Steam sales increased 0.6 percent to 8.2 billion pounds in 1971. The maximum sendout, 2,669,000 pounds an hour, occurred on February 2 and exceeded the previous high set in 1970 by 12.2 percent.

Construction of a new 600,000-pound-per-hour boiler for

service in 1972 continued at Schuylkill electric generating station in Philadelphia. Operating economies will be realized by using the output from this boiler to generate electric power as well as to supply the steam heating system.

In October, the West Chester steam heating system was discontinued after 69 years of continuous service. Rising costs, the age of equipment, and limited growth potential made continuation of this service uneconomical.



Careful analysis assures purity of water discharged from all P.E. installations and contributes to the improvement of water quality in the streams of our service area.

RESEARCH PROGRAMS

Philadelphia Electric's research activities in 1971 were not only Company-oriented but industry-wide in scope. Our engineers took active part in developing the recently released report of the Electric Research Council's task force on research and development goals, describing areas of research which industry should pursue over the next 30 years. In addition to support of the Council, we contributed to the research efforts of the Edison Electric Institute and the American Gas Association, and engaged in various other research projects.

Underground Transmission

We continue to play a leading role in the many areas of research to lower the cost and increase the reliability of high

voltage underground power transmission. Close relationship with developments in this field, together with our participation in the tests at the Waltz Mill high voltage cable test station in western Pennsylvania, assure our immediate benefit from the latest techniques for cost reduction and service improvement.

Higher Distribution Voltages

To carry the increased power demands of the future, it is quite likely that distribution voltages in excess of the presently used 13,000 volts will be required. We are currently studying the feasibility and economic advantages of using 34,000 volts as a distribution voltage.

New Sources of Energy

We recognize the need to develop new sources of energy and to obtain maximum utiliza-

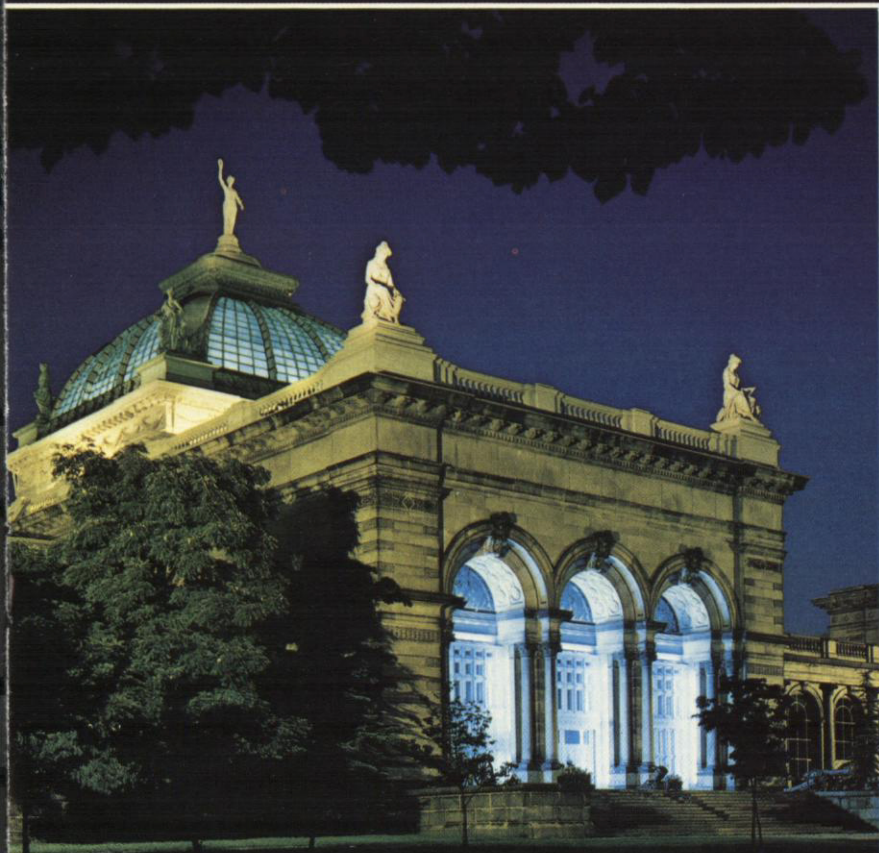
tion of existing sources. The fast breeder reactor can greatly improve the utilization efficiency of our uranium and thorium fuels. Harnessing fusion, the reaction that sustains the sun, will provide a new and virtually inexhaustible source of energy. We are participating in research in both of these fields.

Data Communication

Philadelphia Electric is an industry leader in the application of advanced automation to utility operations. Present research covers such diverse areas as improved control of large power generating units and remote reading of customer meters. From these advanced studies will come the future systems to provide better service at lower cost.



Philadelphia night skyline from Belmont Hill in Fairmount Park.



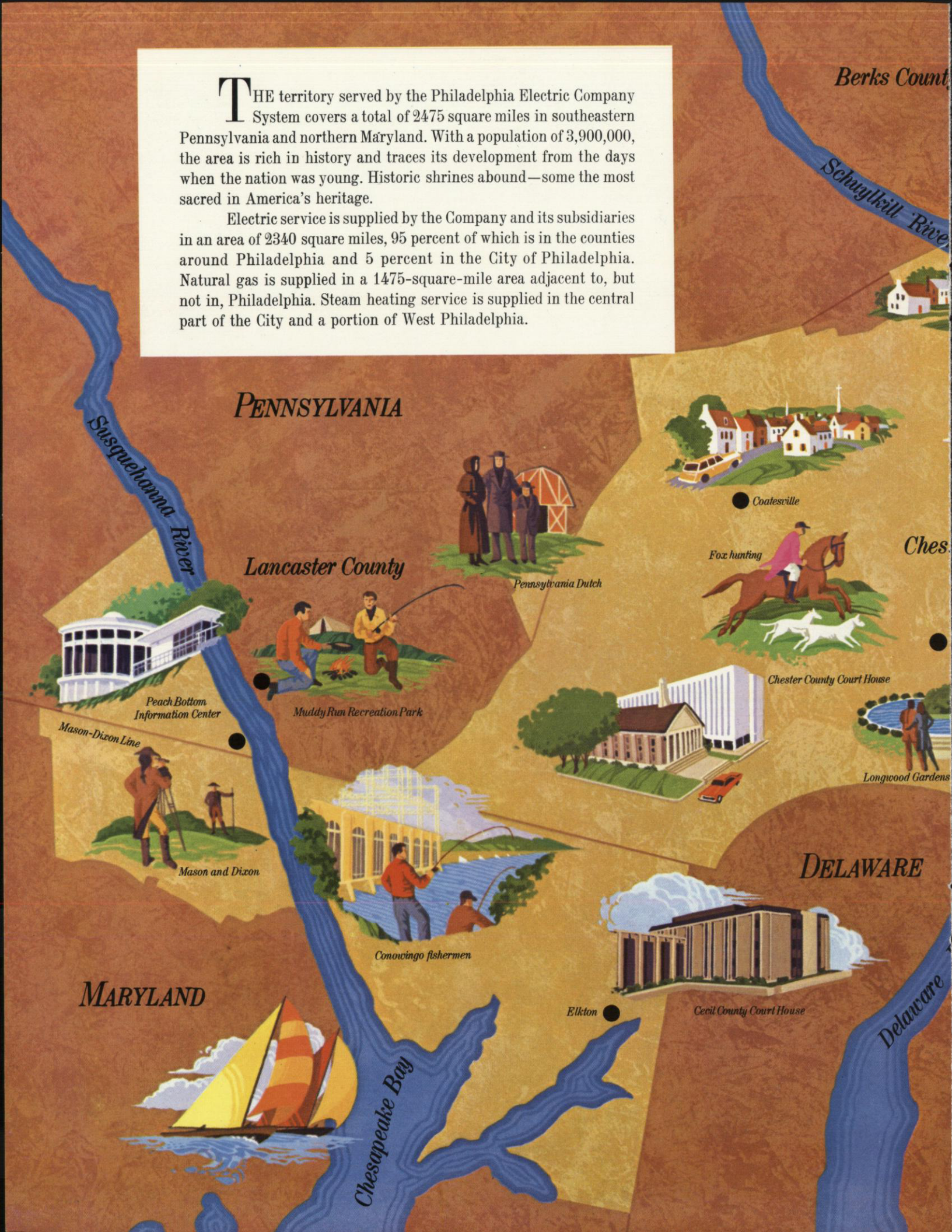
Recently floodlighted Memorial Hall in Fairmount Park was originally built for the nation's Centennial Exposition held in Philadelphia in 1876.



Illuminated bust of Benjamin Franklin, covered with 80,000 pennies given by Philadelphia school children, attracts Independence Mall visitors.

THE territory served by the Philadelphia Electric Company System covers a total of 2475 square miles in southeastern Pennsylvania and northern Maryland. With a population of 3,900,000, the area is rich in history and traces its development from the days when the nation was young. Historic shrines abound—some the most sacred in America's heritage.

Electric service is supplied by the Company and its subsidiaries in an area of 2340 square miles, 95 percent of which is in the counties around Philadelphia and 5 percent in the City of Philadelphia. Natural gas is supplied in a 1475-square-mile area adjacent to, but not in, Philadelphia. Steam heating service is supplied in the central part of the City and a portion of West Philadelphia.



PENNSYLVANIA

Lancaster County

Pennsylvania Dutch

Coatesville

Fox hunting

Ches.

Chester County Court House

Longwood Gardens

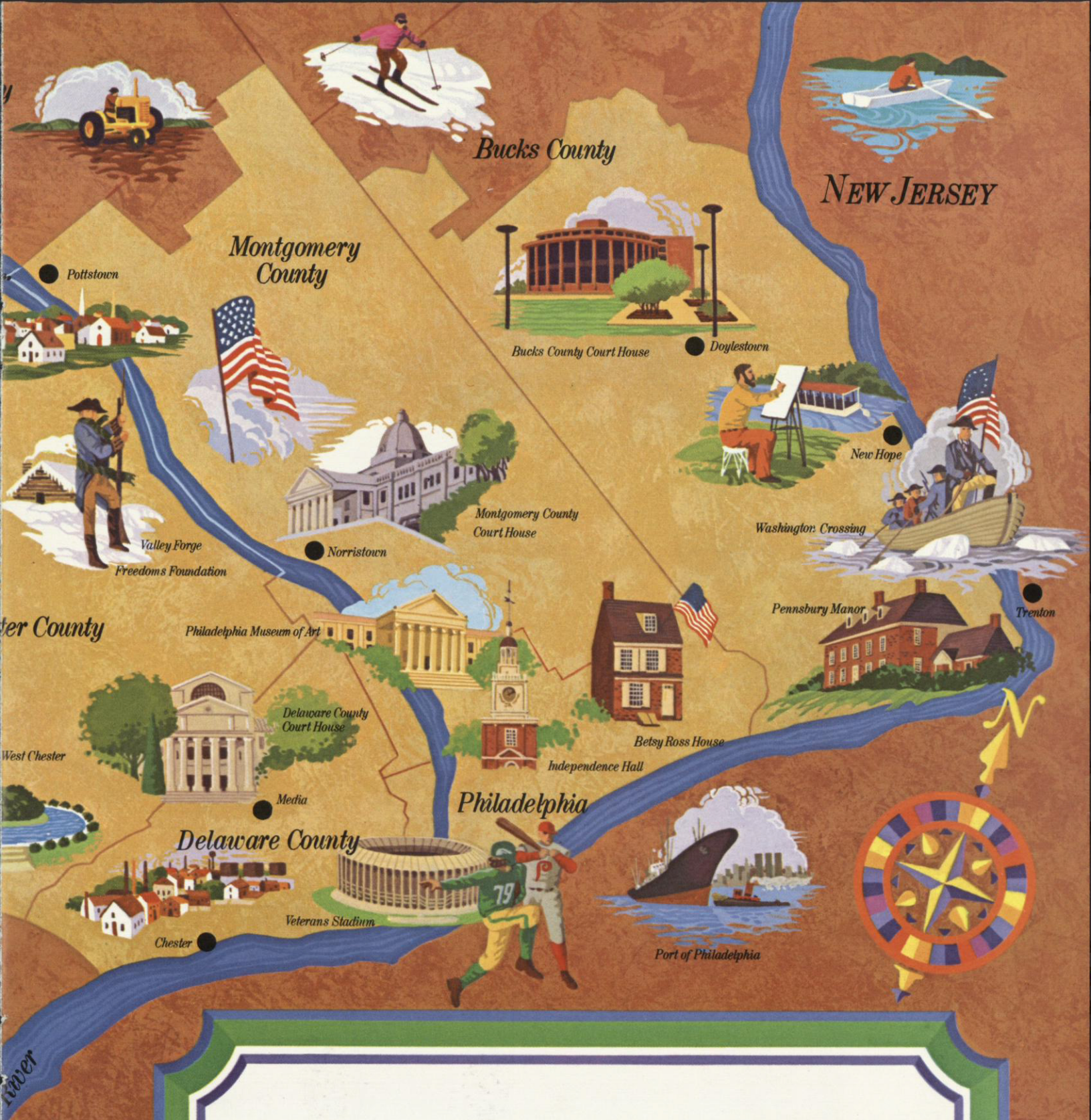
DELAWARE

Cecil County Court House

Elkton

MARYLAND

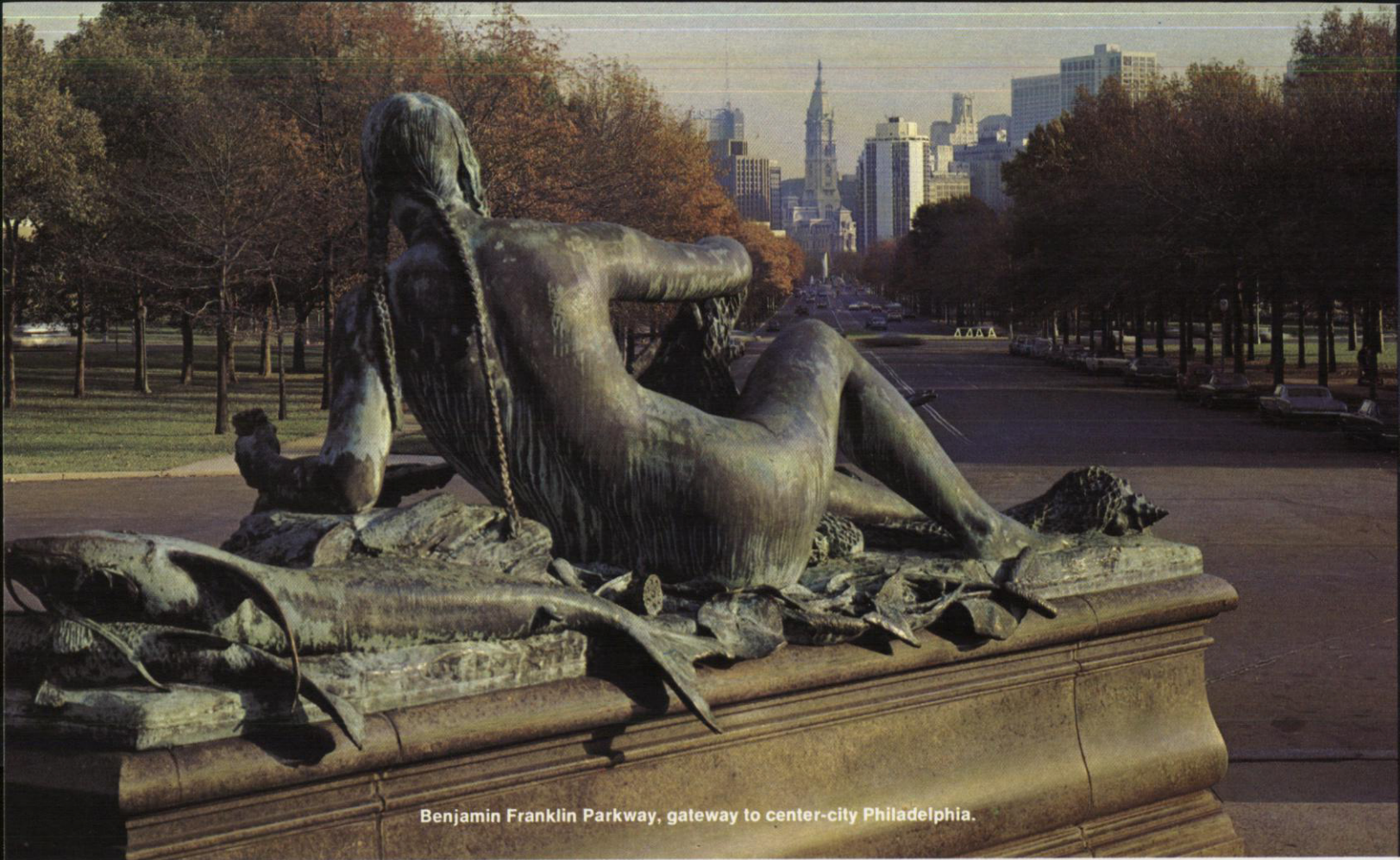
Chesapeake Bay



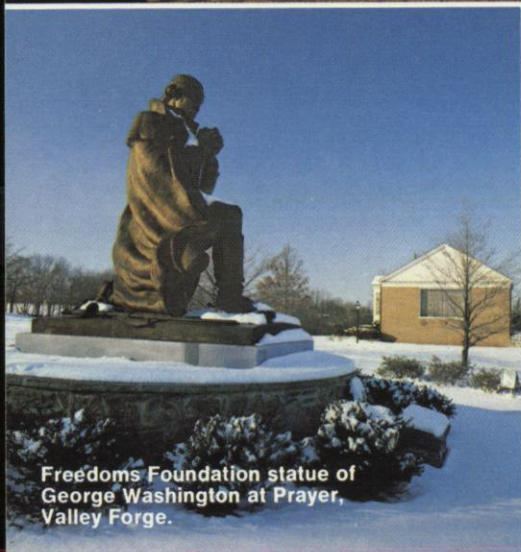
Map of the Territory Served by the
PHILADELPHIA ELECTRIC COMPANY

Approximate Scale of Miles

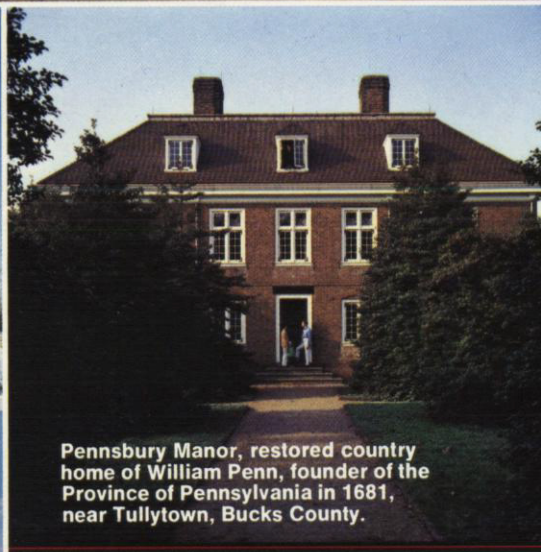




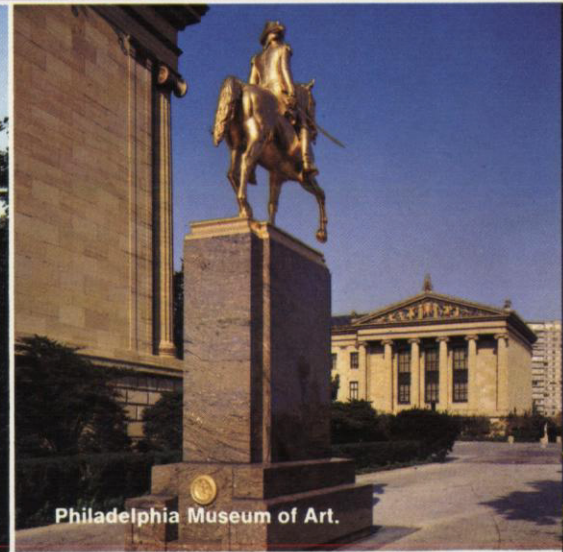
Benjamin Franklin Parkway, gateway to center-city Philadelphia.



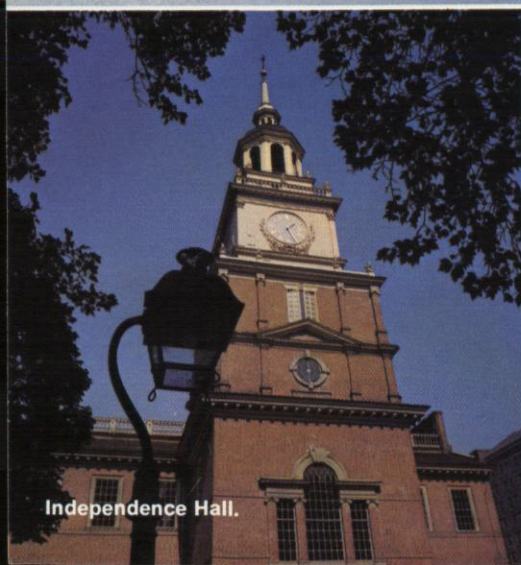
Freedom's Foundation statue of George Washington at Prayer, Valley Forge.



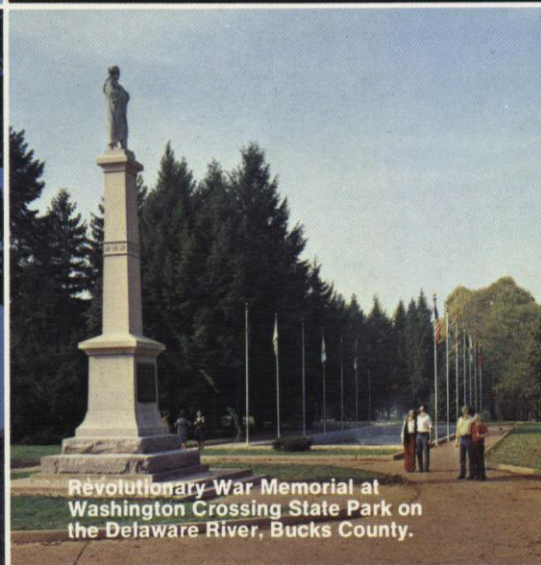
Pennsbury Manor, restored country home of William Penn, founder of the Province of Pennsylvania in 1681, near Tullytown, Bucks County.



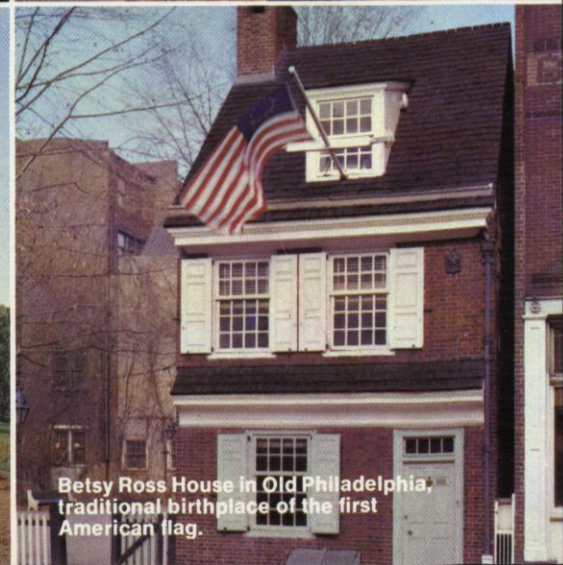
Philadelphia Museum of Art.



Independence Hall.



Revolutionary War Memorial at Washington Crossing State Park on the Delaware River, Bucks County.



Betsy Ross House in Old Philadelphia, traditional birthplace of the first American flag.

CONSTRUCTION

Outlays for construction continued at a record pace with \$352 million spent in 1971, of which 92 percent was invested in the electric system, 7 percent in the gas system, and 1 percent in the steam system. In the past five years, 1967-1971, a total of \$1.3 billion was invested in new plant and equipment, approximately three times the amount invested a decade ago in the five-year period, 1957-1961. Expenditures in the next five years, 1972-1976, are expected to be about \$2.5 billion. Major construction projects are described under "Electric Operations" and "Nuclear Power" on pages 10 and 12.

FINANCING

Six security issues were sold during 1971, totaling \$333 million.

MARCH

Preferred Stock, 7.85% series
500,000 shares (at par) ... \$50 million

JUNE

Common Stock, 2,500,000
shares sold directly
to underwriters \$53 million

JULY

Mortgage Bonds, 8¼% series
25-year maturity (8.294 percent
interest cost) \$80 million

OCTOBER

Common Stock, 2,508,575
shares sold through
subscription rights in the
ratio of one new share for
each 15 shares held \$50 million

NOVEMBER

Preferred Stock, 7.75% series
200,000 shares (at par) ... \$20 million

DECEMBER

Mortgage Bonds, 7¾% series
30-year maturity (7.37 percent
interest cost) \$80 million

Retained earnings and depreciation provided \$74 million of internally generated funds, up from \$60 million in 1970. On December 1, \$20 million of 2¾% First and Refunding Mortgage Bonds, issued in 1941, were retired when they matured. The bonds were

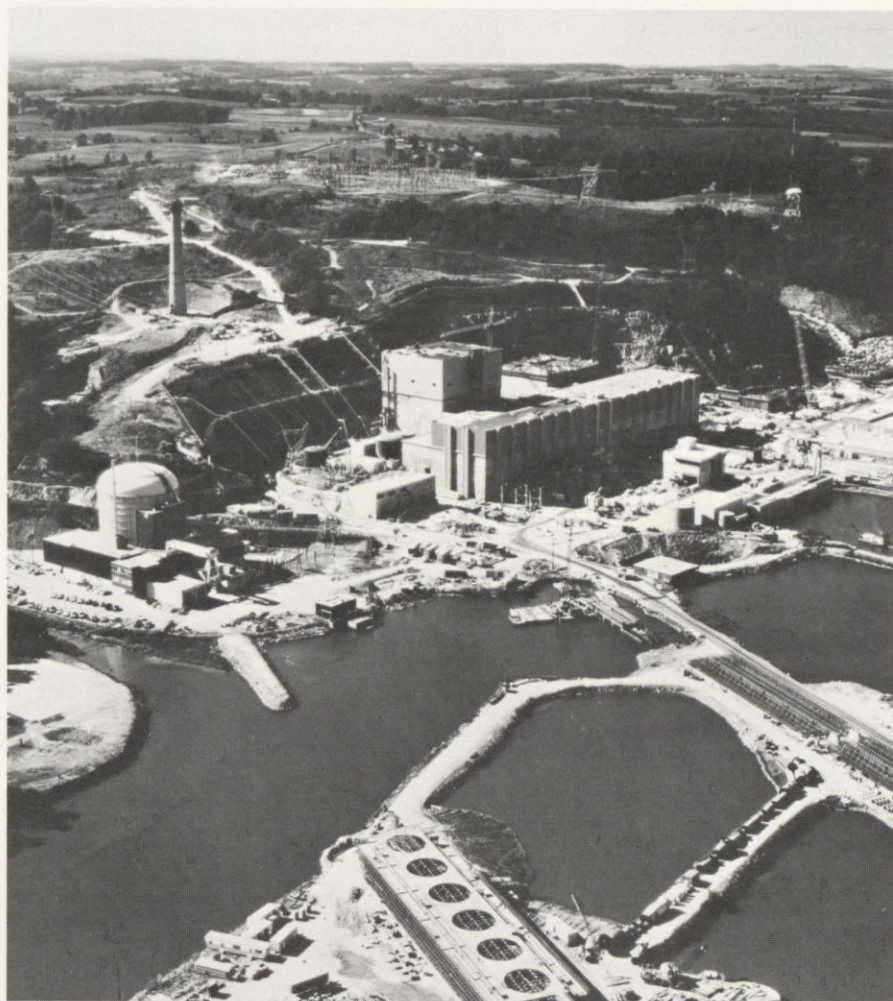
refinanced with the proceeds of the November sale of preferred stock with a 7.75-percent dividend cost, which was almost three times the interest cost of the bonds retired. This refinancing dramatically illustrates the impact of today's high money costs and the need to earn a higher return on our investment.

Presently, two bond issues, one preferred stock offering, and one common stock offering are planned for 1972.

At the end of 1971, we had 157,425 shareholders owning 40,137,197 shares of common stock and 20,150 shareholders owning 2,624,720 shares of preferred stock.

NEW HEADQUARTERS BUILDING

The virtual completion of our new headquarters office building at 2301 Market Street, Philadelphia, has provided consolidated accommodations for approximately 2700 employees previously working at several center-city locations. The 26-story tower and adjoining 6-story building with their landscaped plazas make an impressive addition to the western approach to downtown Philadelphia. Of particular interest in the design of the new headquarters is the utilization of heat from lights, computers, and personnel to heat the building in winter.



Aerial view of construction at Peach Bottom atomic power station. Original plant, housing unit No. 1, is at center left.

POWER AND ENVIRONMENT

Serious and costly delays have developed in a number of important power projects because of the environmental concerns of local, regional, and national groups. Extensive reviews by licensing and other agencies of environmental statements required by the National Environmental Policy Act of 1969 considerably lengthen licensing and permit procedures, and more detailed information is being required than ever before.

The purpose of these licensing procedures is to insure that utility expansion programs will proceed in a timely, efficient, economical, and safe manner, with minimum adverse effects on the environment. However, the multitude of the agencies involved, with their overlapping responsibilities and jurisdictions, and the vagueness of their requirements, both as to the type of reports to be submitted and the standards to be met, all combine to delay construction and increase the cost of electricity.

Environmental Improvement

Philadelphia Electric has had a continuing policy of conserving and improving the environment. Through the years, we have given careful consideration to landscaping and aesthetics in planning buildings, transmission lines, generating plants, and substations. Numerous awards by civic and horticultural groups attest to the excellence of our landscaping program.



Marine biologists, near the site of the Limerick nuclear generating station, collect fish and measure chemical content and temperature of water in connection with Schuylkill River study to assure no change in ecological conditions.



Biologist and his laboratory assistant sort and identify organisms taken from Schuylkill River study area.

Although substations and overhead lines cannot be completely hidden, we have shown they can be constructed to blend with the environment. Our Company was one of the first to use ornamental structures for transmission lines.

We have actively participated with local communities in projects for drainage control, stream and crop protection, and the betterment of public roads. Joint use of tower line rights of way for recreation, commercial development, pastureland, crops, and landscape nurseries is in evidence throughout our service area. Leasing rights of way for neighborhood use is encouraged wherever community interest exists.

For a number of years, we have encouraged and promoted the placing of distribution lines underground in new residential developments. The success of this program was apparent long before the adoption of state regulations requiring most new home developments to have underground service.



Illustrated lecture at Peach Bottom atomic information center.

Water resources

We are keenly aware of the importance of the water resources in our service area. In the early 1960's, Company engineers worked with the Pennsylvania Sanitary Water Board to develop the first standards for maintaining water quality.

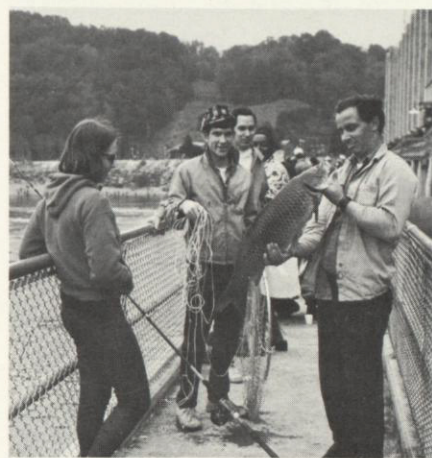
An ecological study of the Susquehanna River, under the

study of the Schuylkill River is in progress by Dr. Raney in the vicinity of the proposed Limerick nuclear generating station site. As a result of these studies, water cooling towers will be used at both nuclear plants to assure operation with no harmful effects on the aquatic environment.

POWER AND RECREATION

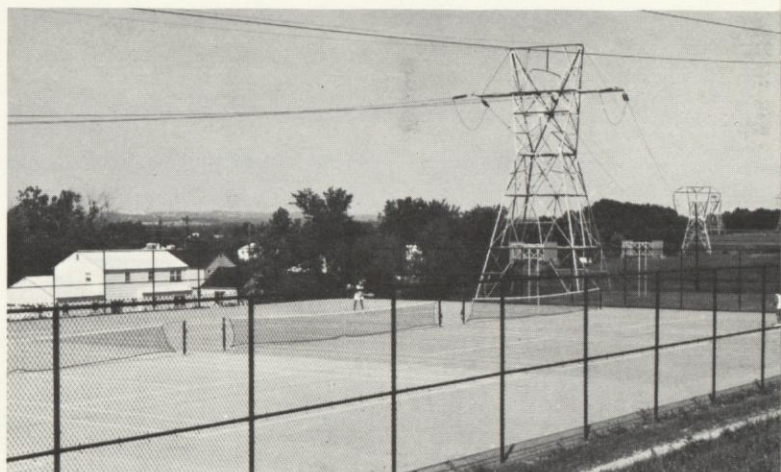
Expansion of public recreation facilities at our power plants on the lower Susquehanna River continued in 1971 and included the opening of a new fishermen's park adjacent to the powerhouse of the Muddy Run pumped-storage plant. The park has a 700-foot shoreline walkway, a fish-cleaning shed, picnic pavilion, modern restrooms, and a public observation deck.

The new park is separate from the large recreation park at the upper end of the plant reservoir, which has attracted more than 600,000 visitors for camping, picnicking, boating, and fishing since its public dedication in 1969. Plans have been completed to open the main Muddy Run reservoir to fishermen in 1972.



A "big one" at Conowingo.

direction of Dr. Edward C. Raney, former professor of Zoology at Cornell University and a director of Ichthyological Associates, has been under way for some time in connection with the operation of our Muddy Run pumped-storage plant and the construction of the new No. 2 and No. 3 units at Peach Bottom atomic power station. A similar



Power line right of way provides land for community tennis courts near Berwyn.

An estimated 250,000 people visit the Conowingo plant area annually. Fishing from the 860-foot powerhouse gallery and from the riverbanks below the dam is increasingly popular. Four marinas and several boat launching facilities give easy access to the Susquehanna. More than 600 cottage sites are leased by Philadelphia Electric to private homeowners. Also in



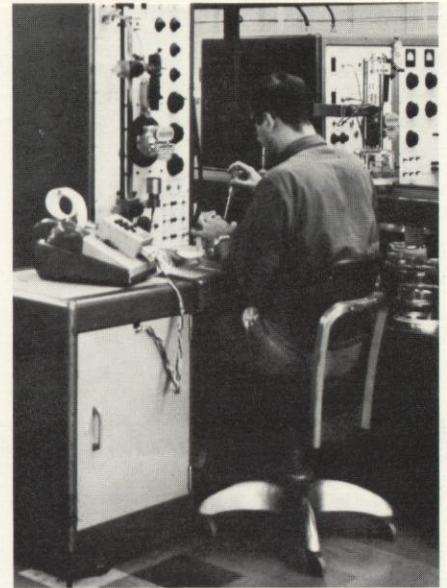
Scouts study nature at Muddy Run recreation park.

the area, on Company-owned land, are an Audubon Society bird sanctuary, a tract for Scout camping activities, and a section leased to a botanical club for wildflower protection. Our attractive information center at the Peach Bottom atomic power station, 12 miles upstream from Conowingo, is another visitor attraction.

Philadelphia Electric Employees perform a variety of some 1200 different kinds of jobs to serve more than 1,477,000 customers.



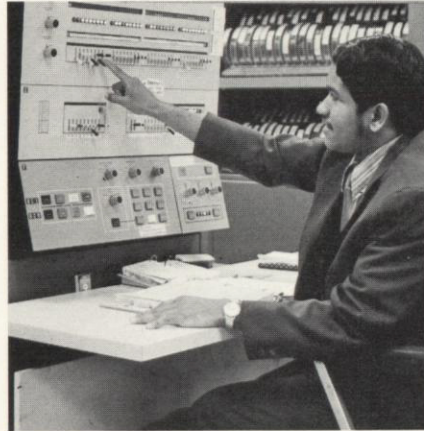
"Hot stick" line work.



Electric meter testing.



Customer service.



Computer analysis.



Appliance service.

EMPLOYEES

Progressive personnel policies and extensive employee training programs have done much to make Philadelphia Electric an efficient service organization and a desirable place to work. That employment with the Company is attractive is evidenced by the fact that nearly half of the 10,400 men and women currently employed have service records extending 13 years or more. Approximately 1700 employees are Quarter Century Club members. More than 5500 employees are Philadelphia Electric shareholders.

ORGANIZATIONAL CHANGES

On April 14, 1971, at a meeting of the board of directors following the annual meeting of shareholders, Robert F. Gilkeson was elected chairman of the board and James L. Everett was elected president. Mr. Gilkeson, who served as president of the Company since 1965, continues as chief executive officer. Mr. Everett had been executive vice president since 1968.

At the same meeting of the board, William H. Jones, vice president of purchasing and service operations, and J. Henry Long, vice president of gas operations, were elected senior



Generating station control.



Market research.



Sales analysis.



Gas plant construction.



System planning.



Engineering design.

vice presidents. Clair V. Myers, manager of purchasing and service operations, was elected vice president to succeed Mr. Jones, and Martin F. Gavet, manager of gas operations, was elected vice president to succeed Mr. Long. Mr. Myers was employed by Philadelphia Electric in 1941. Mr. Gavet joined the Company in 1937.

On January 25, 1971, Allan G. Mitchell, vice president of finance and accounting, was elected a senior vice president

and John H. Austin, Jr., comptroller, was elected vice president of finance and accounting.

Vincent P. McDevitt, senior vice president and former vice

president and general counsel of the Company, retired May 1. Mr. McDevitt continues to serve as a director of the Company.

On August 30, John M. Warner, vice president of sales, died suddenly after 34 years of service. He had served in various capacities in electric operations and was purchasing agent of the Company from 1956 until 1967 when elected vice president.

On September 15, William B. Morlok was named to succeed Mr. Warner as vice president of sales. Employed in 1948, Mr. Morlok had been associated with the sales department for more than 20 years, serving as general sales manager since 1967.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31

1971

1970*

(Thousands of Dollars)

Source of Funds

Net Income	\$ 93,624	\$ 68,376
Charges (Credits) to Income Not Affecting Funds		
Depreciation	55,937	53,947
Investment Tax Credit Adjustments—Net	569	(836)
Deferred Income Taxes	3,947	(818)
Funds Provided from Operations	154,077	120,669
Sale of:		
Long-Term Debt	160,000	206,700
Preferred Stock	70,000	65,000
Common Stock	103,297	59,878
Refund of Income Taxes—Prior Years	5,763	—
Total	\$493,137	\$452,247

Use of Funds

Additions to Utility Plant	\$351,514	\$351,554
Dividends on Common Stock	60,689	53,683
Dividends on Preferred Stock	15,320	8,612
Retirement of Long-Term Debt	34,838	10,140
Decrease in Notes Payable	26,247	23,262
Increase in Working Capital†	633	3,292
Other, net	3,896	1,704
Total	\$493,137	\$452,247

†Increase (Decrease) in Components of Working Capital
(Excluding Notes Payable)

Accounts Receivable	\$ 12,070	\$ 6,705
Accounts Payable and Dividends Declared	1,947	(8,056)
Taxes Accrued	(12,882)	(1,099)
Other, net	(502)	5,742
Total	\$ 633	\$ 3,292

*Reclassified to conform with 1971 classification.

The notes and schedules to financial statements are an integral part of this statement.

CONSOLIDATED STATEMENT OF INCOME

For the Year Ended December 31

1971

1970

(Thousands of Dollars)

Operating Revenue

Electric	\$506,670	\$412,496
Gas	87,290	80,960
Steam	14,174	10,915

Total Operating Revenue	608,134	504,371
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Operating Expenses

Operation	294,616	234,781
Maintenance	49,242	48,078
Depreciation	55,937	53,947
Provision for Taxes		
Federal Income Taxes	21,695	17,834
State and Local Income Taxes	7,457	5,330
Investment Tax Credit Adjustments—Net	569	(836)
Deferred Income Taxes	3,947	(818)
Taxes, Other than Income	47,109	38,410

Total Operating Expenses	480,572	396,726
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Operating Income	127,562	107,645
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Other Income

Allowance for Funds Used during Construction	31,691	18,513
Other Income and Deductions—Net	1,516	224

Total Other Income	33,207	18,737
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Income Before Interest Charges	160,769	126,382
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Interest Charges

Interest on Long-Term Debt	60,854	50,336
Other Interest	6,291	7,670

Total Interest Charges	67,145	58,006
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Net Income	93,624	68,376
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Dividends on Preferred Stocks	15,320	8,612
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Earnings Applicable to Common Stock	\$ 78,304	\$ 59,764
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Shares of Common Stock—Average	37,322,917	32,556,315
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Earnings Per Average Share (Dollars)	\$2.10	\$1.84
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The notes and schedules to financial statements are an integral part of this statement.

CONSOLIDATED BALANCE SHEET

	December 31	
	1971	1970
	(Thousands of Dollars)	
Assets		
Utility Plant, at original cost		
Electric	\$2,467,187	\$2,179,514
Gas	238,434	218,238
Steam	39,032	38,723
Common, used in all services	106,348	85,131
	<u>2,851,001</u>	<u>2,521,606</u>
Less: Accumulated Depreciation	585,670	549,548
	<u>2,265,331</u>	<u>1,972,058</u>
Investments, at cost		
Nonutility Property	2,787	905
Other Investments	3,234	2,990
	<u>6,021</u>	<u>3,895</u>
Current Assets		
Cash	12,331	13,954
Special Deposits	4,528	5,782
Temporary Cash Investments	8,384	4,483
Accounts Receivable		
Utility Customers	44,891	31,904
Merchandising and Jobbing	13,207	12,597
Other	4,811	6,338
Materials and Supplies, at average cost		
Operating and Construction	18,980	21,353
Fuel	14,209	11,057
Merchandise for Sale	1,030	1,154
Prepayments	1,931	1,831
	<u>124,302</u>	<u>110,453</u>
Deferred Debits		
Unamortized Debt Discount and Expense	3,987	3,693
Other	2,622	1,816
	<u>6,609</u>	<u>5,509</u>
Total	<u>\$2,402,263</u>	<u>\$2,091,915</u>

The notes and schedules to financial statements are an integral part of this statement.

Liabilities

(Thousands of Dollars)

Capitalization

Stockholders' Equity		
Preferred Stock—See Schedule, page 29	\$ 262,472	\$ 188,572
Preferred Stock Subscribed	—	3,900
Premium on Preferred Stock	1,214	1,214
Common Stock—See Schedule, page 29	528,217	424,920
Retained Earnings	254,734	239,468
	<u>1,046,637</u>	<u>858,074</u>
Long-Term Debt—See Schedule, page 29	1,178,889	1,053,727
	<u>2,225,526</u>	<u>1,911,801</u>

Current Liabilities

Notes Payable		
Bank Loans	1,800	14,625
Commercial Paper	47,467	60,889
Accounts Payable	32,288	36,840
Customers' Deposits	1,187	1,148
Taxes Accrued		
Federal Income	3,394	3,450
Other	18,911	5,973
Interest Accrued	17,543	14,829
Dividends Declared	8,419	5,814
Other	1,982	2,454
	<u>132,991</u>	<u>146,022</u>

Deferred Credits

Accumulated Deferred Income Taxes	22,785	13,075
Accumulated Deferred Investment Tax Credits .	6,394	5,825
Unamortized Premium on Debt	1,025	1,107
Other	487	645
	<u>30,691</u>	<u>20,652</u>

Operating Reserves	<u>1,071</u>	<u>1,754</u>
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Contributions in Aid of Construction	<u>11,984</u>	<u>11,686</u>
Total	<u><u>\$2,402,263</u></u>	<u><u>\$2,091,915</u></u>

*Reclassified to conform with 1971 classification.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	For the Year Ended December 31	
	1971	1970
	(Thousands of Dollars)	
Balance, January 1	\$239,468	\$235,448
Add—Net Income (from page 25)	93,624	68,376
	<u>333,092</u>	<u>303,824</u>
Deduct		
Cash Dividends Declared		
\$8.75 and \$4.30* per share, respectively, on		
8.75% Preferred Stock	5,687	2,561
\$2.79* per share on 7.85% Preferred Stock	3,359	—
\$1.31* per share on 7.75% Preferred Stock	263	—
\$7.00 per share on 7% Preferred Stock	2,800	2,800
\$4.68 per share on 4.68% Preferred Stock	702	702
\$4.40 per share on 4.4% Preferred Stock	1,209	1,209
\$4.30 per share on 4.3% Preferred Stock	645	645
\$3.80 per share on 3.8% Preferred Stock	1,140	1,140
\$1.64 per share on Common Stock	60,689	53,683
	<u>76,494</u>	<u>62,740</u>
Capital Stock Expenses of New Issues		
Common Stock	821	698
Preferred Stock	1,043	918
	<u>78,358</u>	<u>64,356</u>
Balance, December 31	<u>\$254,734</u>	<u>\$239,468</u>

*Partial-year dividends.

The notes and schedules to financial statements are an integral part of this statement.

Lybrand, Ross Bros. & Montgomery/Certified Public Accountants

To the Board of Directors,
Philadelphia Electric Company,
Philadelphia, Pennsylvania

We have examined the consolidated balance sheet of Philadelphia Electric Company and Subsidiary Companies as of December 31, 1971, the related statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the companies for the year 1970.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Philadelphia Electric Company and Subsidiary Companies at December 31, 1971 and 1970, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Philadelphia, Pennsylvania,
February 4, 1972.

LYBRAND, ROSS BROS. & MONTGOMERY

Philadelphia Electric Company and Subsidiary Companies

Schedule of Capital Stock

December 31, 1971

PHILADELPHIA ELECTRIC COMPANY	Number of Shares		Amount
	Authorized	Outstanding	
(Thousands of Dollars)			
Preferred Stock (\$100 par) cumulative*			
8.75% Series	650,000	650,000	\$ 65,000
7.85% Series	500,000	500,000	50,000
7.75% Series	200,000	200,000	20,000
7% Series	400,000	400,000	40,000
4.68% Series	150,000	150,000	15,000
4.4% Series	274,720	274,720	27,472
4.3% Series	150,000	150,000	15,000
3.8% Series	300,000	300,000	30,000
Unclassified	2,375,280	—	—
Premium on Preferred Stock	—	—	1,214
Total Preferred Stock	5,000,000	2,624,720	263,686
Common Stock—no par**	65,000,000	40,137,197	528,217
Total Capital Stock			\$791,903

*Shares sold in 1970 and 1971 at \$100 per share were the 8.75% Series July 22, 1970, the 7.85% Series March 10, 1971 and 7.75% Series November 16, 1971.

**Shares sold in 1970 and 1971 were 3,193,511 shares October 22, 1970 at \$18.75 per share, 2,500,000 shares June 2, 1971 at \$21.25 per share, and 2,508,575 shares September 16, 1971 at \$20.00 per share.

Schedule of Long-Term Debt

December 31, 1971

PHILADELPHIA ELECTRIC COMPANY

First and Refunding Mortgage Bonds		(Thousands of Dollars)
Series	Due	
6%	1972-73	\$ 19,000
5¼ %	1972-73	1,240
6¼ %	1972-76	27,200
2¾ %	1974	65,000
8%	1975	80,000
8½ %	1976	46,700
5¾ %	1977	34,000
2⅞ %	1978	25,000
2¾ %	1981	30,000
3¼ %	1982	35,000
3⅞ %	1983	20,000
3⅞ %	1985	50,000
4⅜ %	1986	50,000
4⅝ %	1987	40,000
3¾ %	1988	40,000
5%	1989	50,000
6½ %	1993	60,000
4½ %	1994	50,000
9%	1995	80,000
8¼ %	1996	80,000
6⅞ %	1997	75,000
7¾ %	2000	80,000
7⅞ %	2001	80,000
		1,118,140
Sinking Fund Debentures		
4.85%	1986	31,597
Total Philadelphia Electric Company		1,149,737

**PHILADELPHIA ELECTRIC POWER COMPANY—
A WHOLLY OWNED SUBSIDIARY**

First Mortgage Bonds, 2½ %—1975	4,152
Sinking Fund Debentures, 4½ %—1995	25,000
Total Long-Term Debt	\$1,178,889*

*Includes bond maturities of \$17,131 due within one year.

Notes to Financial Statements—Thousands of Dollars

1. UTILITY PLANT Utility plant includes construction work in progress of \$542,228 and \$400,847 at December 31, 1971 and 1970, respectively. Construction expenditures for the year 1972 are estimated at \$453,000.

2. DEPRECIATION For financial reporting purposes, the Company provides for depreciation over the estimated service lives of the plant on a straight-line basis. Higher depreciation deductions are taken for tax purposes based on the use of a liberalized method of computing depreciation and of shorter lives permitted by the Internal Revenue Service. Income tax deferrals, reflecting this higher depreciation on certain plant additions prior to December 31, 1969, have reduced operating expenses in accordance with the regulatory commission treatment for rate-making purposes. However, the Company has elected to normalize the effect of tax deferrals resulting from the continued use of double declining balance tax depreciation on plant additions after December 31, 1969, which increase system capacity, in accordance with the 1969 Tax Reform Act and the policy adopted by the regulatory commissions in 1970. The adoption of this accounting change for 1971 and subsequent years will reduce tax deferrals that now flow through to income and increase normalization charges (deferred income taxes—\$4,766 in 1971) as new plant is added to the system.

3. ACCUMULATED DEFERRED INCOME TAXES This account consists of (1) deferred income taxes applicable to plant installed in 1950-1957 and subject to five-year amortization pursuant to certificates of necessity, which are being credited to income over the remaining life of the related plant and (2) as set forth above, the income tax deferrals on plant additions after December 31, 1969, resulting from higher depreciation deductions for tax purposes, than those used for financial reporting purposes, which will be credited to income in years when depreciation deductions for financial reporting purposes exceed those deductible for tax purposes.

This account, in accordance with the accounting prescribed by the regulatory commissions, also includes \$5,763 representing a refund in 1971 of income taxes for 1963 and 1964, arising principally from higher depreciation deductions for tax purposes in those years due to the retroactive application of guideline lives. This amount is to be credited to income over the remaining estimated useful life of the related plant.

4. INVESTMENT TAX CREDIT Federal income tax expense reflects reductions of \$3,748 for 1971 and \$2,184 for 1970, representing the investment tax credit arising from the investment in new plant placed in service during these years. These tax reductions are deferred by equivalent charges to income and subsequently amortized by credits to income over a five-year period for investment tax credits at the former 3 percent rate, and over the estimated useful life of the utility plant for credits at the new 4 percent rate under the Revenue Act of 1971.

5. LONG-TERM LEASE AGREEMENT Under a 25-year lease agreement which began in 1971, the Company leases 17 combustion turbine-generators, costing approximately \$40,000, at an annual rental of \$3,800.

6. PENSION PLAN The Companies have a noncontributory service annuity plan applicable to all regular employees. The annuities are determined under a formula which is applied uniformly to all employees regardless of position, and the amount depends on length of service and compensation earned to normal retirement age. The annuities are paid out of an irrevocable trust fund, to which the Companies make annual contributions sufficient to meet actuarial requirements. Actuarial studies, which take market appreciation of securities into consideration, indicate that the requirement for past service cost is approximately fully funded. Contributions by the Companies for future annuities aggregated \$6,935 in 1971 and \$6,426 in 1970 of which approximately 27 percent associated with construction labor was included in the cost of new utility plant.

7. INCREASED RATES Reference is made in the text of this report to "Rate Increases Approved."

8. PREFERRED STOCK DIVIDENDS The annual preferred stock dividend requirements giving effect to the sale of new stock in 1971 and 1970 were \$17,658 and \$12,183, respectively.

Fiscal Agents for Stocks and Bonds

PHILADELPHIA ELECTRIC COMPANY—Preferred and Common Stocks

Registrars
GIRARD BANK
One Girard Plaza, Philadelphia, Pa. 19101
CHEMICAL BANK
20 Pine Street, New York, N.Y. 10015

Transfer Agents
PHILADELPHIA ELECTRIC COMPANY
2301 Market Street, Philadelphia, Pa. 19101
MORGAN GUARANTY TRUST CO. of N.Y.
30 West Broadway, New York, 10015

PHILADELPHIA ELECTRIC COMPANY—First and Refunding Mortgage Bonds

PHILADELPHIA ELECTRIC POWER COMPANY (A Subsidiary)—First Mortgage Bonds

Trustee
THE FIDELITY BANK
Broad & Walnut Streets, Philadelphia, Pa. 19109

New York Agent
MORGAN GUARANTY TRUST CO. of N.Y.
23 Wall Street, New York, N.Y. 10015

PHILADELPHIA ELECTRIC COMPANY—Sinking Fund Debentures

PHILADELPHIA ELECTRIC POWER COMPANY (A Subsidiary)—Sinking Fund Debentures

Trustee
THE PHILADELPHIA NATIONAL BANK
Broad & Chestnut Streets, Philadelphia, Pa. 19101

New York Agent
IRVING TRUST COMPANY
One Wall Street, New York, N.Y. 10015

All Philadelphia Electric Company securities, except the Sinking Fund Debentures and those series of First and Refunding Mortgage Bonds which were sold privately to institutional investors, are listed on the Philadelphia-Baltimore-Washington Stock Exchange and the New York Stock Exchange. Philadelphia Electric Power Company Bonds and Debentures are listed on the Philadelphia-Baltimore-Washington Stock Exchange.

Financial Statistics

Summary of earnings (millions of dollars)

	1971	1970	1969	1968	1967	1966	1961
Operating Revenue (for details see page 32) . . .	\$608.1	\$504.4	\$440.5	\$405.2	\$376.5	\$357.9	\$292.3
Operating Expenses							
Labor	108.8	103.0	93.9	86.3	81.4	76.1	60.5
Fuel and Energy Interchanged	189.8	137.3	110.0	102.4	86.7	86.3	66.9
Other Materials, Supplies, and Services	45.2	42.6	32.2	29.3	27.6	25.0	21.5
Total Operation and Maintenance	343.8	282.9	236.1	218.0	195.7	187.4	148.9
Depreciation	55.9	53.9	49.3	45.4	41.8	39.0	33.0
Taxes	80.8	59.9	53.8	49.6	51.5	50.0	45.2
Total Operating Expenses	480.5	396.7	339.2	313.0	289.0	276.4	227.1
Operating Income	127.6	107.7	101.3	92.2	87.5	81.5	65.2
Other Income							
Allowance for Funds Used During Construction	31.7	18.5	7.9	4.1	4.8	3.9	0.7
Other Income and Deductions—Net	1.5	0.2	0.1	5.5	0.3	—	(0.3)
Total Other Income	33.2	18.7	8.0	9.6	5.1	3.9	0.4
Income Before Interest Charges	160.8	126.4	109.3	101.8	92.6	85.4	65.6
Interest Charges							
Interest on Long-Term Debt	60.9	50.3	38.2	33.6	26.8	23.0	18.0
Other Interest	6.3	7.7	6.8	2.6	2.6	1.5	1.0
Total Interest Charges	67.2	58.0	45.0	36.2	29.4	24.5	19.0
Net Income	93.6	68.4	64.3	65.6	63.2	60.9	46.6
Dividends on Preferred Stock	15.3	8.6	5.9	3.7	3.7	3.7	3.7
Earnings Applicable to Common Stock	78.3	59.8	58.4	61.9	59.5	57.2	42.9
Dividends on Common Stock	60.7	53.7	48.8	47.6	44.8	40.7	32.1
Retained Earnings	\$17.6	\$6.1	\$9.6	\$14.3	\$14.7	\$16.5	\$10.8
Earnings per Average Share (dollars)	\$2.10	\$1.84	\$1.97	\$2.13	\$2.13	\$2.08	\$1.57
Dividends Paid per Share (dollars)	\$1.64	\$1.64	\$1.64	\$1.64	\$1.60	\$1.48	\$1.18

Summary of financial condition—December 31 (millions of dollars)

Assets							
Utility Plant, at Original Cost	\$2,851.0	\$2,521.6	\$2,188.6	\$1,951.2	\$1,791.5	\$1,657.7	\$1,333.8
Less: Accumulated Depreciation	585.7	549.5	514.2	491.4	459.8	429.0	309.2
Total Utility Plant	2,265.3	1,972.1	1,674.4	1,459.8	1,331.7	1,228.7	1,024.6
Other Property and Investments	6.0	3.9	5.0	4.0	6.3	8.1	2.4
Current Assets							
Cash	12.3	13.9	13.0	11.4	11.4	9.4	13.2
Accounts Receivable	63.0	50.8	44.1	41.3	47.0	34.2	25.2
Materials and Supplies	34.2	33.6	29.1	26.0	23.8	22.4	21.9
Temporary Cash Investments	8.4	4.5	—	0.2	1.5	1.3	—
Other	6.5	7.6	5.6	5.7	5.3	4.2	5.2
Deferred Debits	6.6	5.5	4.9	5.2	4.1	5.3	4.0
Total Assets	\$2,402.3	\$2,091.9	\$1,776.1	\$1,553.6	\$1,431.1	\$1,313.6	\$1,096.5

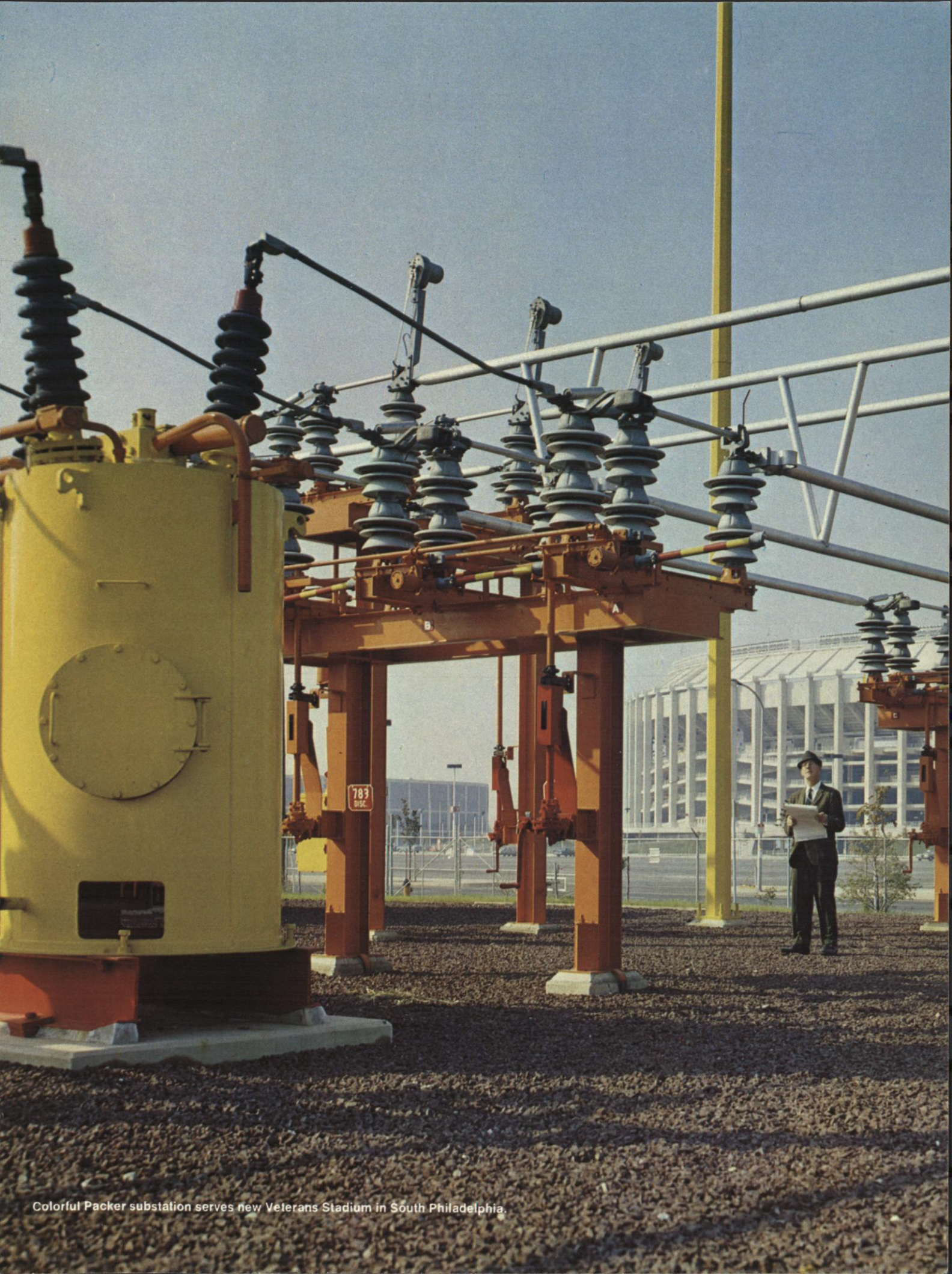
Liabilities							
Preferred Stock	\$ 262.5	\$ 188.6	\$ 127.5	\$ 87.5	\$ 87.5	\$ 87.5	\$ 87.5
Preferred Stock Subscribed	—	3.9	—	—	—	—	—
Premium on Preferred Stock	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Common Stock	528.2	424.9	365.0	298.3	298.3	260.3	248.3
Retained Earnings	254.7	239.5	235.4	227.4	213.1	199.0	134.0
Total Stockholders' Equity	1,046.6	858.1	729.1	614.4	600.1	548.0	471.0
Long-Term Debt	1,178.9	1,053.7	857.2	794.3	701.6	652.8	548.4
Current Liabilities							
Bank Loans	1.8	14.6	50.1	26.1	47.7	32.3	1.0
Commercial Paper	47.5	60.9	48.6	34.9	—	—	—
Taxes Accrued	22.3	9.4	8.4	7.2	6.8	13.7	20.6
Other Charges	61.4	61.1	46.9	39.6	32.9	29.4	23.6
Deferred Credits	30.7	20.6	21.4	23.1	28.0	23.8	21.4
Operating Reserves	1.1	1.8	3.0	2.9	3.1	3.0	2.4
Contributions in Aid of Construction	12.0	11.7	11.4	11.1	10.9	10.6	8.1
Total Liabilities	\$2,402.3	\$2,091.9	\$1,776.1	\$1,553.6	\$1,431.1	\$1,313.6	\$1,096.5

Operating Statistics		1971	1970	1969	1968	1967	1966	1961
Electric Operations	Output (millions of kilowatt-hours)							
	Steam	19,849	19,446	20,020	17,865	17,087	16,007	13,140
	Nuclear	206	137	130	124	144	—	—
	Hydraulic	1,738	1,877	1,342	1,586	1,895	1,304	1,104
	Pumped-Storage Output	1,639	1,829	1,733	1,429	400	—	—
	Pumped-Storage Input	(2,302)	(2,523)	(2,395)	(1,971)	(555)	—	—
	Purchased and Net Interchange	2,889	2,886	2,293	2,917	1,090	2,000	79
	Internal Combustion	940	744	341	126	53	19	4
	Other	86	45	5	33	56	—	—
	Total Electric Output	25,045	24,441	23,469	22,109	20,170	19,330	14,327
	Sales (millions of kilowatt-hours)							
	Residential	6,649	6,381	5,812	5,330	4,763	4,457	3,298
	Small Commercial and Industrial	2,428	2,365	2,293	2,256	2,125	2,087	1,752
	Large Commercial and Industrial	13,296	12,970	12,663	11,961	10,724	10,267	7,235
	All Other	1,085	1,097	1,105	1,075	1,091	1,113	1,047
	Total Electric Sales	23,458	22,813	21,873	20,622	18,703	17,924	13,332
	Number of Customers, Dec. 31							
	Residential*	1,079,585	1,070,312	1,060,376	1,034,393	1,021,216	1,006,613	926,184
	Small Commercial and Industrial*	119,203	120,034	120,997	136,917	138,898	141,752	152,660
	Large Commercial and Industrial	5,517	5,465	5,359	5,204	4,993	4,827	3,924
	All Other	2,130	2,101	2,045	2,009	2,021	1,926	1,812
	Total Electric Customers	1,206,435	1,197,912	1,188,777	1,178,523	1,167,128	1,155,118	1,084,580
	Operating Revenue (millions of dollars)							
	Residential	\$198.3	\$161.7	\$135.0	\$121.3	\$110.7	\$104.6	\$82.9
	Small Commercial and Industrial	78.6	66.3	58.9	56.5	54.0	53.0	48.0
	Large Commercial and Industrial	198.2	158.4	138.2	126.2	115.5	110.0	86.8
	All Other	31.6	26.1	23.2	21.9	20.7	20.3	18.7
	Total Electric Revenue	\$506.7	\$412.5	\$355.3	\$325.9	\$300.9	\$287.9	\$236.4
	Residential Sales							
	Average Use per Customer (kilowatt-hours) ..	6,187	5,990	5,557	5,187	4,699	4,477	3,590
	Average Revenue per Kilowatt-hour	2.98¢	2.54¢	2.32¢	2.28¢	2.33¢	2.35¢	2.51¢
	Electric Peak Load							
	Net Hourly Demand (thousand kw)	4,922	4,712	4,592	4,375	3,727	3,673	2,702
	Net Electric Generating Capacity (thous. kw.) ..	6,366	5,564	5,115	5,111	4,678	3,663	3,410
	Average Cost of Fuel per Ton	\$15.29	\$10.62	\$8.52	\$8.60	\$8.51	\$8.21	\$9.61
	Btu per Net Kilowatt-hour Generated	10,782	11,079	11,009	10,867	10,689	10,648	10,311
Gas Operations	Sales (millions of cubic feet—natural gas)							
	Residential	2,441	2,454	2,376	2,341	2,309	2,231	2,235
	House Heating	25,165	24,949	23,403	22,447	22,197	20,343	17,102
	Commercial and Industrial	18,743	17,460	16,124	14,561	13,006	11,018	6,549
	All Other	2,537	2,074	2,043	1,233	1,155	810	58
	Total from Distribution System	48,886	46,937	43,946	40,582	38,667	34,402	25,944
	Direct from Pipelines	19,446	20,950	23,685	20,989	18,962	20,294	13,125
	Total Gas Sales	68,332	67,887	67,631	61,571	57,629	54,696	39,069
	Number of Customers, Dec. 31							
	Residential**	95,478	97,250	98,598	97,971	98,991	100,264	106,648
	House Heating**	154,902	149,800	145,879	140,792	136,371	131,858	112,820
	Commercial and Industrial**	19,778	19,063	18,491	21,078	20,566	20,056	14,838
	Total Gas Customers	270,158	266,113	262,968	259,841	255,928	252,178	234,306
	Operating Revenue (millions of dollars)							
	Residential	\$ 6.2	\$ 6.0	\$ 5.7	\$ 5.7	\$ 5.6	\$ 5.5	\$ 5.6
	House Heating	45.8	43.1	39.6	38.0	37.6	34.6	29.5
	Commercial and Industrial	24.0	21.1	18.7	17.0	15.3	13.0	7.8
	All Other	1.4	1.2	1.1	0.6	0.6	0.4	0.1
	Total from Distribution System	77.4	71.4	65.1	61.3	59.1	53.5	43.0
	Direct from Pipelines	9.5	9.2	9.7	8.6	7.6	8.1	5.3
	Other Revenue	0.4	0.4	0.3	0.3	0.3	0.3	0.3
	Total Gas Revenue	\$87.3	\$81.0	\$75.1	\$70.2	\$67.0	\$61.9	\$48.6
Steam Operations	Sales (millions of pounds)	8,223	8,172	7,905	7,578	7,252	6,674	5,708
	Number of Customers, Dec. 31***	733	939	1,179	1,180	1,157	1,154	1,077
	Total Steam Revenue (millions of dollars)	\$14.2	\$10.9	\$10.1	\$9.1	\$8.6	\$8.1	\$7.3

*Reflects reclassification of customers from small commercial and industrial to residential (14,442 in 1969, and 6,172 in 1966).

**Reflects reclassification of 2,976 customers from commercial and industrial to residential and house heating in 1969.

***The reduction in customers in 1970 and 1971 reflects the phasing out and shutdown on October 15, 1971, of steam heating service (less than \$300,000 annual revenue) in the Borough of West Chester, Pa.



Colorful Packer substation serves new Veterans Stadium in South Philadelphia.

PHILADELPHIA ELECTRIC COMPANY



"Phillies" play night baseball in brilliantly lighted Veterans Stadium opened in 1971.